MITCHELLS & BUTLERS PLC

26 November 2013

FULL YEAR RESULTS

(For the 52 weeks ended 28 September 2013)

A strong financial performance and business transformation on track

Statutory results

- Profit before tax: £150m (FY 2012: £83m)
- Basic earnings per share: 32.9p (FY 2012: 17.1p)

Financial performance (52 week comparables)

- Total revenue of £1,895m, up 2.2%[a]
- Like-for-like sales growth of 0.4%[b]
- Adjusted operating profit of £312m, up 5.1%[c]
- Adjusted earnings per share of 34.9p, up 17.1%[c]
- Net cash flow of £29m[d] after mandatory bond amortisation of £55m
- Net debt of 4.2 times EBITDA[e] at year end (FY 2012: 4.5 times EBITDA)

- Like-for-like sales up 0.1% in the first 8 weeks of FY 2014

Operational performance

- Operating margin up 0.5 percentage points to 16.5%[f]
- Good progress across all priority areas: people, practices, guests and profits
- Staff turnover down 4 ppts and net promoter score up 4 ppts
- New tills, payment systems, table management and kitchen management systems in full roll out

Property Estate

- 16 new sites opened across the upmarket social, family and special market spaces
- 17% EBITDA returns achieved on expansionary capex invested since FY 2011
- £31m increase in property value as a result of annual revaluation and impairment review
- Pipeline of new sites building for FY 2014 and beyond

Alistair Darby, Chief Executive, commented:

“We have worked hard this year to deliver our transformation plan and position Mitchells & Butlers for future growth. We are proud that, through the measures we have taken, we have been able to grow sales and build our margins in a challenging and competitive consumer environment, leading to EPS growth of 17%. I am confident that our continued emphasis on developing our people, focusing on our brands and delivering great service for our guests will result in a better business and produce sustainable value for shareholders in the future.”

Definitions

a – Revenue growth is quoted against 52 week revenue in FY 2012, as detailed within the Financial Review.
b – Like-for-like sales growth includes the sales performance against the comparable period in the prior year of all UK managed pubs that were trading in the two periods being compared. For the 52 weeks to 28 September 2013, 96% of the UK managed estate is included in this measure.
c – Adjusted items are quoted before exceptional items and other adjustments and are compared to 52 week results in FY 2012, as detailed within the Financial Review.
d – Net cash flow is detailed within the Financial Review.
e – EBITDA is taken before exceptional items and other adjustments.
f – Operating margin is taken before exceptional items and other adjustments and is compared to 52 week results in FY 2012, as detailed within the Financial Review.

There will be a presentation for analysts and investors at 9.30am at Nomura International plc, 1 Angel Lane, London, EC4R 3AB. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone: 020 3059 8125 and quote "Mitchells & Butlers". The replay will be available until 9 December 2013 on 0121 260 4861 replay access pin 6441528#.

All disclosed documents relating to these results are available on the Group's website at www.mbplc.com

For further information, please contact:

Tim Jones – Finance Director	+44 (0)121 498 6514
Stephen Hopson – Head of Investor Relations	+44 (0)121 498 4895
James Murgatroyd (RLM Finsbury)	+44 (0)207 251 3801

Notes for editors:

- Mitchells & Butlers is the UK's largest operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, Country Pubs, Sizzling Pubs, Crown Carveries, Oak Tree Pubs, All Bar One, Browns, Miller & Carter, Castle, Alex, Nicholson's, O'Neill's and Ember Inns. Further details are available at www.mbplc.com and supporting photography can be downloaded at www.mbplc.com/imagelibrary

- Mitchells & Butlers serves around 130 million meals and 410 million drinks each year and is one of the largest operators within the UK's £75 billion eating and drinking out market.

Business and Market Review

We are the UK's largest operator of managed restaurants and pubs, with a high quality freehold estate, some of the best known brands in the industry, substantial scale and committed retail teams. This year, we have delivered a strong set of financial results, with sales and margin growth, adjusted EPS up 17% and debt continuing to fall. At the same time, we have made good progress with our business transformation programme which is on track and aimed at focusing the business on four key priority areas: our people, our practices, our guests and our profits. We are confident this will help to drive our future growth and our ability to create additional shareholder value.

Market review

2013 has not been an easy year for UK consumers. With wage rises not keeping pace with the general level of inflation in the economy, discretionary income has remained tight. This economic backdrop continues to drive a challenging consumer environment and ever greater expectations when people do choose to spend their money. It is in this context that we are especially pleased with our financial progress this year. A number of factors are impacting our market's evolution and we believe will continue to do so:

- **The market is large but fragmented.** The eating and drinking out market is worth £75bn a year and we are one of the largest players in that market with sales of around £2bn, approximately 3% of the total. Our largest brand by sales, Harvester, has just 210 outlets in the UK compared to around 125,000 eating and drinking out venues in total. The opportunity for scale operators to grow by taking market share with leading brands is significant in a market of this size.
- **The importance of brands is increasing.** Although the majority of the industry is unbranded, the branded restaurant and pub sector has consistently grown at a faster rate than the unbranded sector and this has accelerated in the downturn as guests seek the guarantee of quality that a brand can offer. We expect that this trend will continue.
- **Leisure spending has been protected.** Through the downturn, families have tended to protect low ticket leisure spending. Average weekly family spending on leisure increased 4% from 2007 to 2011, whereas overall weekly family expenditure was down 6% over the same time (source: ONS family spending survey 2012).
- **Food remains the primary long term route to sustainable growth in this sector.** We benefit from being principally focused on eating-out, with around three quarters of our turnover generated from guests eating in our restaurants and pubs. We expect the eating-out market to grow at least in line with overall consumer spending in future. Even in the structurally declining drinking out market, brands and formats with strong locations, a clear brand proposition and customer focus should outperform.
- **There are significant economic disparities by region and by economic grouping.** Between 2006 and 2012, London, the East and the South East achieved substantially higher economic growth than the rest of the country and this trend is forecast to continue. 45% of our revenues are generated in these areas and we are well placed to benefit from this improving trend. Different economic groups have also been impacted to varying degrees by the economic slowdown and subsequent austerity measures. Baby boomers and more affluent economic groups have been relatively well protected whereas 18-34 year olds and the lower income deciles have been the hardest hit. Our brand portfolio is targeted at guests from across a wide spectrum, so it is increasingly important that we focus the business to benefit from these dynamics. We have invested heavily in this area in FY 2013 and our brand teams are now highly focused on the specific market trends which impact their guests.

Brand positioning, operating strategies and expansion opportunities

We operate a wide range of scale brands and formats which offer food and drink across a broad spectrum of price points and occasions, from a casual meeting with friends to special occasion dining. We have identified five 'market spaces' through our extensive consumer research on which to focus: upmarket social, special, family, everyday social and heartland*. These spaces cover about half of the £75bn eating and drinking out market and are impacted by a wide range of market dynamics. We are increasing the efficiency of our

capital allocation and maximising our returns on investment through three broad operating and expansion strategies.

Invest & expand: The upmarket social, special and family spaces, together worth £35bn, currently benefit from the most attractive market trends and our businesses in these areas were the strongest performers in FY 2013. We have strong brands in these segments and we expect them to deliver good organic sales and profit growth in the future. In addition, we will be expanding our footprint in these areas and are currently focusing on Harvester, Toby Carvery, Miller & Carter and All Bar One, where we can deliver attractive returns on investment. We opened 13 new sites in these brands over the financial year. We will also expand our other businesses in these market spaces on an opportunistic basis and we opened 1 Browns and 2 Alex sites in the year. We expect the rate of new openings to accelerate in this segment over the medium term towards 50 each year.

Optimise & invest: The everyday social space, currently worth £2bn, is a market focused on drinking and eating out in relaxed, comfortable, community pubs. We expect to grow in this area through optimising the sites we already have rather than expanding site numbers. To this end, we have reallocated a proportion of our maintenance capital to improve amenity levels in certain brands and ensure the brand positioning is suitable for their target customers. As an example, we are planning to invest in Ember Inns over the next two years, with a clear focus on driving both drink and food volumes in warm and welcoming suburban pubs, firmly embedded in their local communities.

Protect & compete: The heartland space, worth £4bn, is a market characterised by the need to offer value to consumers who have been most exposed to the economic downturn. The effects of the recession and austerity have hit this consumer group more than other segments and the market dynamics are the most difficult of the market spaces in which we operate. Our strategy is based around local flexibility and working hard to deliver exceptional value for our guests while generating cash. New menus in Sizzling Pubs and Oak Tree Pubs resulted in an improved volume performance in the second half of the year. We have extended our sports coverage with both Sky Sports and BT Sport and we are focusing on improved staff recruitment and induction. As a further example of this strategy, we recently launched new autumn menus in Crown Carveries which featured great value main courses at £3.69, compared to the main carvery price of £4.19. These products satisfy a guest need for great value, traditional meals at a price point less than £4, whilst protecting our cash margins per dish. We have also restructured our operations in this area, with a more efficient structure now in place to reduce travel time for regional management.

* The list of brands within each market space is as follows. Upmarket social includes All Bar One, Castle, Nicholson's and Alex. Special includes Miller & Carter, Country Pubs and Browns. Family includes Harvester and Toby Carvery. Everyday social includes Ember Inns and O'Neill's. Heartland includes Crown Carveries, Oak Tree Pubs and Sizzling Pubs. See the Half Year Results 2013 for further discussion of these spaces.

Business transformation programme

In the half year results, we discussed how we are transforming the business to deliver long term growth in shareholder value by addressing some core questions: how we attract, develop and retain outstanding and engaged people; how we operate scale brands and formats effectively; and how we consistently delight our guests and therefore achieve market leadership.

2013 is the first full year of the transformation programme. In FY 2012, we successfully restructured our central functions and modernised our core IT infrastructure, delivering annual savings of £10m. This year, we have been building on these foundations and undertaking a more wide ranging change programme, aimed at focusing the business on four priority areas: our people, our practices, our guests and our profits. We are pleased that we have been able to grow sales, margins and EPS whilst making progress in each of our priority areas.

Our people: We consider the key measure of success in relation to our people to be staff turnover, which has decreased from 82% in FY 2012 to 78% in FY 2013. We believe that when we successfully engage our people, they stay with us for longer, become more efficient, provide better service to our guests and in turn drive like-for-like sales. Further reductions in staff turnover are therefore a key focus going forward. We are also committed to providing career opportunities to young people through our apprenticeship schemes, with approximately 1,600 employees completing a programme at our year end. We are particularly proud of our

Browns apprenticeship programme, which is now in its second year, and our Management Development Apprenticeship, which began in Country Pubs and is now expanding across many of our other brands.

Our practices: Practices refer to the professional and efficient way that we run our operations. We continue to focus on improving our already high scores in the FSA's Food Hygiene Ratings. This year, we have broadly maintained outlet level employment costs as a percentage of sales at 25.4% whilst improving service, especially at peak times. Our purchasing teams have continued to restrict cost increases, especially in food, where overall inflation has been kept to below 1% over the year compared to market inflation of approximately 5% (sources: ONS, Prestige Purchasing). As a result of these actions, together with lower pre-opening and closure costs and the residual savings from the restructuring in FY 2012, operating expenses have marginally decreased and operating margins increased by 0.5 percentage points.

Our guests: We have chosen not to drive short term like-for-like sales through increased and unfocused promotional activity. We aim to improve our relative like-for-like performance through delivering consistently excellent guest experiences, leading to increased revisits and recommendation. The key driver of this will be the willingness of guests to recommend our businesses to their friends and family which we measure through our net promoter score*. This year, the net promoter score across the business has increased by 4 percentage points to 59%. All of our restaurants and pubs now have access to a live dashboard which lets them see how they are scoring against the most critical measures that drive guests to revisit and recommend our business to their friends, as well as seeing comments from Tripadvisor and Facebook reviews.

Our profits: This year, adjusted earnings per share were up 17% based on higher sales, improved operating margins and lower interest charges, as described in the Financial Review. The 50 basis point operating margin improvement is a good result and in line with our previously stated aim to protect our operating margins and seek incremental opportunities to expand them in the medium term.

* We ask our guests how likely they are to recommend our restaurants and pubs to their friends, families and colleagues, scored out of 10. Each year we obtain around 700,000 responses. The net promoter score for a pub is defined as the percentage of responses where we score 9 or 10 out of 10 ('brand promoters') less the percentage of responses where we score 0 to 6 out of 10 ('brand detractors'). Responses scoring 7 or 8 ('passives') are ignored in the calculation. The periodic pub scores are averaged to calculate the overall score.

Outlook

The transformation programme is designed to deliver the key building blocks of sustainable growth. Informed by guest insight, we will make further progress next year through investment into service, training and development, systems improvements and improved capital allocation.

In particular, a variety of projects will start to benefit the business. In our Retail Support Centre, these include investment into new central systems in payroll and finance. In our restaurants and pubs, we are in the early stages of a project to replace our till, payment, table management and kitchen management systems. The new systems will enable the delivery of significantly improved guest service, measured both in quality and speed, and allow improvements in menus and promotional activity to manage our gross margins better. The new systems are being rolled out at pace across the business, with 125 sites live at the year end and 320 sites by the end of November.

We are cautious about the strength of the economic recovery over the next year and expect ongoing variation by geography and consumer group. Like-for-like sales were up 0.1% in the first 8 weeks of the new financial year. We are pleased with the progress we are making on our transformation programme and, as a result, we are well placed to deliver sustainable profit growth and shareholder value in the future.

FINANCIAL REVIEW

FY 2013 contained 52 weeks, whereas FY 2012 was a 53 week period. Total revenues were £1,895m (FY 2012: £1,889m). After exceptional items and other adjustments, including movements in the value of the property portfolio, statutory profit before tax was £150m (FY 2012: £83m). Basic earnings per share were 32.9p (FY 2012: 17.1p).

The Group discloses adjusted profit and earnings per share information that excludes exceptional items and other adjustments to allow a better understanding of the underlying trading of the Group. To provide a meaningful comparative for year-on-year performance, all year-on-year growth rates relating to the Income Statement are measured against the restated 52 week FY 2012 Income Statement, unless otherwise stated. For comparative purposes, the adjusted 52 week and 53 week results for FY 2012 are shown in the table below:

	FY 2013 £m (52 weeks)	FY 2012 £m (52 weeks)	Variance % (52 weeks)	FY 2012 £m (53 weeks)
Revenue	**1,895**	1,855	2.2%	1,889
Adjusted EBITDA	422	407	3.7%	415
Adjusted operating profit	**312**	297	5.1%	304
Adjusted operating margin	**16.5%**	16.0%	0.5 ppts	16.1%
Adjusted profit before tax	**184**	162	13.6%	166
Adjusted EPS	**34.9p**	29.8p	17.1%	30.5p

At the end of the year, the business comprised 1,589 managed sites and 60 leased or franchised sites, in the UK and Germany.

Revenue

The Group's total revenues of £1,895m were 2.2% higher than FY 2012, driven by food sales growth of 3.3%, with drink sales growth of 1.0%. Food sales now account for more than half of total sales, reflecting the business's strategy to generate long term growth from this market.

Like-for-like sales growth of 0.4% included like-for-like food sales growth of 0.8% and a like-for-like drink sales decline of 0.2%. Like-for-like sales were driven by increases in price and spend, with volumes lower in both categories. Food sales growth was weighted towards the first half of the year, with a number of the year's key calendar events, on which trading continues to be strong, falling into the first half. The second half of the year saw stronger drink sales growth, reflecting the impact of good weather seen throughout the summer and fewer specific special occasions.

Operating margins

Adjusted operating margins across the year improved by 0.5 ppts. Margins have been positively impacted by movements in the volume/spend mix (particularly in food, where gross margins have benefitted from a combination of higher spend per head, significant purchasing improvements and menu management), the full year impact of restructuring savings delivered in FY 2012 and lower pre-opening and closure costs from new restaurants and pubs and conversions. These improvements were partially offset by increased duty on machine income, higher business rates charges and a continuing investment into service and amenity. As a result, adjusted operating profit was £312m, 5.1% higher than last year.

Internal rent

A regime of internal rents is in place to enable greater internal transparency around the performance of freehold and leasehold properties and external transparency concerning the performance of the operating and property functions. The operating performance is monitored on a regular basis through a system of profit reviews through all levels of the Group. Estate management is primarily monitored through the Portfolio Development Committee.

FY 2013	Operating £m	Property £m	Total £m
Revenue	1,895		1,895
EBITDAR	471		471
External Rent	(49)		(49)
Internal Rent	(192)	192	-
EBITDA pre exceptionals	230	192	422
EBITDA %	12.1%		22.3%

Interest

Adjusted net finance costs of £128m were £7m lower than the prior year measured on a 52 week basis, principally due to a £6m prior year accrual in relation to backdated interest on outstanding tax items. From September 2013, a step-up margin ranging from 0.35% to 1.28% was applied to four floating rate securitised notes with a combined principal value of £655m. This increases annual interest costs by £4m. There are no further step-ups in the securitisation arrangements.

After net finance costs, adjusted profit before tax was £184m, 13.6% higher than last year.

Taxation

The tax charge of £15m in the year (FY 2012, 53 weeks: £13m) represents an effective rate of 10.0% (FY 2012: 15.7%). This includes an £18m credit to deferred tax arising on the reduction in the main rate of corporation tax to 20% from April 2015. Excluding this item the effective rate of tax was 22%.

Exceptional items and other adjustments

Exceptional items and other adjustments consist of three items: a £5m net pensions finance charge; a £29m charge relating to the net movement in the property portfolio; and an £18m credit to deferred tax reflecting the reduction in the main rate of corporation tax to 20% from April 2015.

Earnings per share

Adjusted earnings per share were 34.9p, 17.1% higher than last year. After the exceptional items described above, basic earnings per share were 32.9p (FY 2012, 53 weeks: 17.1p).

Cash flow and net debt

	FY 2013 £m (52 weeks)	FY 2012 £m (53 weeks)
EBITDA before exceptional items	422	415
Working capital movement / non-cash items	-11	-28
Pension deficit contributions	-40	-40
Cash flow from operations before exceptional items	**371**	**347**
Maintenance and infrastructure capex	-100	-92
Interest	-126	-129
Tax and other	-32	-25
Free Cash Flow before exceptional items	**113**	**101**
Expansionary capex	-28	-55
Disposals	1	3
Operating exceptional	-2	-17
Net cash flow	**84**	**32**
Mandatory bond amortisation	-55	-52
Net cash flow after bond amortisation	**29**	**-20**

EBITDA of £422m was generated by the business in the year. The net working capital outflow of £11m includes a £15m payment on account to HMRC relating to unsettled tax on a previous transaction. Pension deficit contributions of £40m were made, in line with the deficit recovery plan agreed with the Trustees following the 2010 triennial review of the schemes. After maintenance capital, interest and tax, £113m of free cash was generated by the business.

There was a net cash inflow after bond amortisation of £29m in FY 2013 compared to an outflow of £20m in FY 2012.

Net debt was £1,759m, representing 4.2 times EBITDA (FY 2012: 4.5 times 52 week EBITDA). Net debt within the securitisation was £2,023m and net cash held outside the securitisation was £264m.

Capital expenditure

Total capital expenditure was £128m, comprising £88m (FY 2012: £83m) spent on maintaining and enhancing the high level of amenity in the Group's restaurants and pubs, £12m on infrastructure projects (FY 2012: £9m), and £28m on new site openings (FY 2012: £55m).

Infrastructure projects include a significant IT project which will see all restaurant and pub till systems upgraded and the introduction of kitchen management systems in our food led businesses by the spring of 2015. The project is now in full roll out across the estate at an expected cost of £33m, of which approximately two thirds will be capital.

Other infrastructure projects relate to improving energy efficiency, upgrading our finance system and replacing our central HR system.

Blended EBITDA returns on expansionary capital invested across our brand portfolio remain at 17%. Given the varying nature of freehold acquisitions, leasehold acquisitions and conversions, the business reviews returns by category:

	FY 2013 Investments*	FY 2013 No. of sites	FY 2011 – 2013 EBITDA ROI
Freehold acquisitions	£11m	4	13%
Leasehold acquisitions	£11m	12	18%
Conversions	£2m	6	16%
Expansionary investment	£24m	22	17%

* FY 2013 Investments comprise expansionary capital specifically invested in respect of FY 2013 openings and conversions

Property

A Red Book valuation of the freehold and long leasehold estate has been completed in conjunction with the independent property valuers, CBRE. In addition, the Group has conducted an impairment review on short leasehold and unlicensed properties. The overall portfolio value has increased by £31m, reflecting a £29m charge in the income statement and a £60m increase in the revaluation reserve.

Pensions

Recent guidance has been published from the Financial Reporting Review Panel concerning the recognition and measurement of pension liabilities. It specifically considered the treatment of a schedule of contributions in relation to minimum funding requirements under IFRIC 14. As a result, the Group now includes the schedule of contributions within the calculation of the overall pension liability recorded on the Balance Sheet, and has restated comparative amounts from the last two financial years. There is no change to profit before tax and no cash impact. As calculated on this basis, the pre-tax pensions deficit as at 28 September 2013 was £248m.

From FY 2014, the Group will adopt IAS 19 (revised): *Employee Benefits*. As a result, annual administration costs of the schemes of approximately £2m will now be charged within Group operating profit, rather than netted against the pensions finance charge.

Discussions continue between the Group and the Pension Trustees regarding the measurement and funding of the triennial valuation, as at 31 March 2013. Pending the conclusion of this process, the Group continues to make contributions totalling £40m per annum into the schemes.

Dividend

The Board is mindful of the attraction of the resumption of dividend payments and will continue to monitor anticipated net cash flow generation, before taking a decision on timing and quantum.

Directors' statement on the annual report

The responsibility statement below has been prepared in connection with the Group's full Annual Report for the 52 weeks ended 28th September 2013. Certain parts thereof are not included within this announcement.

Responsibility statement

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

- The Business Review, Financial Review and Risks and Uncertainties sections, which are incorporated into the directors' report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 25 November 2013 and is signed on its behalf by Tim Jones, Finance Director.

Group income statement
For the 52 weeks ended 28 September 2013

	2013 52 weeks			2012 53 weeks		
	Before exceptional items and other adjustments £m	Exceptional items and other adjustments[a] £m	Total £m	Before exceptional items and other adjustments £m	Exceptional items and other adjustments[a] £m	Total £m
Revenue	1,895	-	1,895	1,889	-	1,889
Operating costs before depreciation, amortisation, movements in the valuation of the property portfolio and impairment of goodwill	(1,473)	-	(1,473)	(1,474)	(20)	(1,494)
EBITDA[b]	422	-	422	415	(20)	395
Depreciation, amortisation, movements in the valuation of the property portfolio and impairment of goodwill	(110)	(29)	(139)	(111)	(52)	(163)
Operating profit/(loss)	312	(29)	283	304	(72)	232
Finance costs	(130)	-	(130)	(140)	-	(140)
Finance revenue	2	-	2	2	-	2
Net pensions finance charge	-	(5)	(5)	-	(11)	(11)
Profit/(loss) before tax	184	(34)	150	166	(83)	83
Tax (expense)/credit	(41)	26	(15)	(41)	28	(13)
Profit for the period	143	(8)	135	125	(55)	70
Earnings per ordinary share						
Basic	34.9p		32.9p	30.5p		17.1p
Diluted	34.7p		32.7p	30.2p		17.0p

a. Exceptional items and other adjustments are analysed in note 3.
b. Earnings before interest, tax, depreciation, amortisation, movements in the valuation of the property portfolio and impairment of goodwill.

All results relate to continuing operations.

Group statement of comprehensive income

For the 52 weeks ended 28 September 2013

	2013 52 weeks £m	2012 53 weeks restated* £m
Profit for the period	135	70
Items that will not be reclassified subsequently to profit or loss:		
Unrealised gain on revaluation of the property portfolio	60	10
Actuarial losses on defined benefit pension schemes	(65)	(81)
Movement in pension liability recognised due to minimum funding requirements	57	78
Tax relating to items not reclassified	17	20
	69	27
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	1	(1)
Cash flow hedges:		
- Gains/(losses) arising during the period	53	(103)
- Reclassification adjustments for losses included in profit or loss	47	54
Tax relating to items that may be reclassified	(30)	6
	71	(44)
Other comprehensive income/(expense) after tax	140	(17)
Total comprehensive income for the period	275	53

* Restatement for movement in pension liability recognised due to minimum funding requirements (see note 1).

Group balance sheet
28 September 2013

	2013 £m	2012 restated* £m	2011 restated* £m
Assets			
Goodwill and other intangible assets	5	5	10
Property, plant and equipment	3,895	3,848	3,848
Lease premiums	2	1	6
Deferred tax asset	105	150	149
Derivative financial instruments	5	4	18
Total non-current assets	4,012	4,008	4,031
Inventories	24	26	25
Trade and other receivables	72	56	70
Other cash deposits	25	25	50
Cash and cash equivalents	340	311	306
Total current assets	461	418	451
Total assets	4,473	4,426	4,482
Liabilities			
Pension liabilities	(40)	(40)	(40)
Trade and other payables	(263)	(265)	(298)
Current tax liabilities	(17)	(28)	(17)
Borrowings	(57)	(53)	(49)
Derivative financial instruments	(46)	(45)	(44)
Total current liabilities	(423)	(431)	(448)
Pension liabilities	(208)	(236)	(263)
Other payables	(12)	(12)	(12)
Borrowings	(2,075)	(2,133)	(2,197)
Derivative financial instruments	(182)	(280)	(235)
Deferred tax liabilities	(345)	(382)	(429)
Long-term provisions	(9)	(9)	(6)
Total non-current liabilities	(2,831)	(3,052)	(3,142)
Total liabilities	(3,254)	(3,483)	(3,590)
Net assets	1,219	943	892
Equity			
Called up share capital	35	35	35
Share premium account	23	21	21
Capital redemption reserve	3	3	3
Revaluation reserve	869	793	768
Own shares held	(4)	(3)	(5)
Hedging reserve	(187)	(257)	(214)
Translation reserve	12	11	12
Retained earnings	468	340	272
Total equity	1,219	943	892

* Restatement for movement in pension liability recognised due to minimum funding requirements (see note 1).

Group statement of changes in equity

For the 52 weeks ended 28 September 2013

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Own shares held £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 24 September 2011	35	21	3	768	(5)	(214)	12	472	1,092
Prior period restatement*	-	-	-	-	-	-	-	(200)	(200)
At 24 September 2011 (restated*)	35	21	3	768	(5)	(214)	12	272	892
Profit for the period	-	-	-	-	-	-	-	70	70
Other comprehensive income/(expense) *	-	-	-	25	-	(43)	(1)	2	(17)
Total comprehensive income/(expense)	-	-	-	25	-	(43)	(1)	72	53
Purchase of own shares	-	-	-	-	(1)	-	-	-	(1)
Release of own shares	-	-	-	-	3	-	-	(2)	1
Charge in respect of share-based payments	-	-	-	-	-	-	-	(1)	(1)
Tax on share-based payments	-	-	-	-	-	-	-	(1)	(1)
At 29 September 2012 (restated*)	35	21	3	793	(3)	(257)	11	340	943
Profit for the period	-	-	-	-	-	-	-	135	135
Other comprehensive income/(expense)	-	-	-	76	-	70	1	(7)	140
Total comprehensive income/(expense)	-	-	-	76	-	70	1	128	275
Share capital issued	-	2	-	-	-	-	-	-	2
Purchase of own shares	-	-	-	-	(5)	-	-	-	(5)
Release of own shares	-	-	-	-	4	-	-	(2)	2
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	2
At 28 September 2013	35	23	3	869	(4)	(187)	12	468	1,219

* Restatement for movement in pension liability recognised due to minimum funding requirements (see note 1).

Group cash flow statement
For the 52 weeks ended 28 September 2013

	2013 52 weeks £m	2012 53 weeks £m
Cash flow from operations	371	347
Cash flow from operating exceptional items	(2)	(17)
Interest paid	(128)	(131)
Interest received	2	2
Tax paid	(31)	(25)
Net cash from operating activities	212	176
Investing activities		
Purchases of property, plant and equipment	(126)	(147)
Purchases of intangible assets	(1)	-
Payment of lease premium	(1)	-
Proceeds from sale of property, plant and equipment	1	3
Transfers from other cash deposits	-	25
Net cash used in investing activities	(127)	(119)
Financing activities		
Issue of ordinary share capital	2	-
Purchase of own shares	(5)	(1)
Proceeds on release of own shares	2	1
Repayment of principal in respect of securitised debt	(55)	(52)
Net cash used in financing activities	(56)	(52)
Net increase in cash and cash equivalents	29	5
Cash and cash equivalents at the beginning of the period	311	306
Cash and cash equivalents at the end of the period	340	311

Notes to the preliminary financial statements
For the 52 weeks ended 28 September 2013

1. Preparation of the preliminary financial statements

Basis of preparation
Mitchells & Butlers plc, along with its subsidiaries, (together 'the Group') is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with the Companies Act 2006. The information contained within this release is based on the Group's consolidated financial statements.

The preliminary financial statements include the results of Mitchells & Butlers plc and all its subsidiaries for the 52 week period ended 28 September 2013. The comparative period is for the 53 week period ended 29 September 2012. The respective balance sheets have been drawn up as at 28 September 2013 and 29 September 2012.

The preliminary financial statements have been prepared on the historical cost basis as modified by the revaluation of properties, pension obligations and financial instruments.

Restatement
Recent guidance from the Financial Reporting Review Panel (FRRP) has clarified the treatment of a schedule of contributions under section 227 of the Pension Act 2004 in relation to the recognition of pension liability. As a result the Group has included the schedule of contributions as a minimum funding requirement within the meaning of IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' and accounts for this liability within the pension deficit for the period ended 28 September 2013.

To reflect this conclusion, the Group has restated the comparative amounts for periods ended 29 September 2012 and 24 September 2011 which has the impact of increasing the pension liability by £188m and £266m respectively; increasing the deferred tax asset by £43m and £66m; and reducing brought forward retained earnings (through a reduction in other comprehensive income) by the net amount of £145m and £200m. There is no change to profit before tax and no cash impact. Further details are provided in note 10.

Going concern
The Group's forecasts and projections take account of anticipated trading performance and show that the Group should be able to operate within the level of its current borrowing facilities.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Exchange rates
The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the period of £1 = €1.19 (2012 £1 = €1.23), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US dollar denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.19 (2012 £1 = €1.26) and £1 = $1.61 (2012 £1 = $1.61) respectively.

2. Segmental analysis

IFRS 8 Operating Segments requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker (CODM). The CODM is regarded as the Chief Executive together with other Board members. The CODM uses profit before interest and exceptional items (operating profit pre-exceptionals) as the key measure of the segment results. Group assets are reviewed as part of this process but are not presented on a segment basis.

The retail operating business operates all of the Group's retail operating units and generates all of its external revenue. The property business holds the Group's freehold and long leasehold property portfolio and derives all of its income from the internal rent levied against the Group's retail operating units. The internal rent charge is eliminated at the total Group level.

	Retail operating business		Property business		Total	
	2013 52 weeks £m	2012 53 weeks £m	2013 52 weeks £m	2012 53 weeks £m	2013 52 weeks £m	2012 53 weeks £m
Revenue[a]	1,895	1,889	-	-	1,895	1,889
EBITDA pre-exceptionals	230	220	192[b]	195[b]	422	415
Operating profit pre-exceptionals	133	123	179	181	312	304
Exceptional items and other adjustments					(29)	(72)
Operating profit					283	232
Net finance costs					(133)	(149)
Profit before tax					150	83
Tax expense					(15)	(13)
Profit for the period					135	70

a. Revenue includes other income of £7m (2012 £7m) in respect of franchise operations.
b. The EBITDA pre-exceptionals of the property business relates entirely to rental income received from the retail operating business.

3. Exceptional items and other adjustments

	Notes	2013 52 weeks £m	2012 53 weeks £m
Operating exceptional items			
Movement in the valuation of the property portfolio and goodwill:			
- Impairment arising from the revaluation	a	(12)	(35)
- Other impairment	a	(17)	(12)
- Impairment of goodwill	b	-	(5)
Net movement in the valuation of the property portfolio and goodwill		(29)	(52)
Other exceptional items:			
- Bid defence	c	-	(6)
- Business reorganisation	d	-	(7)
- IT systems reorganisation	d	-	(7)
Net loss arising on other exceptional items		-	(20)
Total operating exceptional items		(29)	(72)
Other adjustments			
Net pensions finance charge	e	(5)	(11)
Total exceptional items and other adjustments before tax		(34)	(83)
Tax credit relating to above items		8	18
Exceptional tax charge in respect of previous years	f	-	(1)
Tax credit in respect of change in tax legislation	g	18	11
Total tax credit		26	28
Total exceptional items and other adjustments charge after tax		(8)	(55)

a. Movement in the valuation of the property portfolio includes £12m of impairment (2012 £35m) arising from the Group's revaluation of its pub estate and £17m (2012 £12m) of impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount.
b. Goodwill impairment following testing of the value in relation to Ha Ha Bar & Grill Limited.
c. Relates to legal and professional fees incurred in the defence of a possible offer made by Piedmont Inc. in September 2011 to purchase all of the remaining Company shares. The possible offer was withdrawn on 13 October 2011.
d. Relates to the costs of a reorganisation announced by the Company on 22 November 2011. Costs were primarily redundancy and severance payments, fees in relation to professional advisors and one-off costs connected with the transfer of the IT data centre.
e. The net pensions finance charge is a non-cash adjustment which is excluded from adjusted profit.
f. The charge in the prior period is an adjustment in respect of previous years' disposals and derivative planning.
g. A deferred tax credit has been recognised in the current period following the enactment of legislation on 17 July 2013 which lowered the UK standard rate of corporation tax from 23% to 20% with effect from 1 April 2015. The prior period deferred tax credit relates to the enactment of legislation on 17 July 2012 which lowered the UK standard rate of corporation tax from 25% to 23% with effect from 1 April 2013.

4. Finance costs and revenue

	2013 52 weeks £m	2012 53 weeks £m
Finance costs		
Securitised and other debt – loans and receivables[a]	(130)	(140)
Finance revenue		
Interest receivable – cash	2	2
Net finance charge in respect of pensions	(5)	(11)

a. Includes £nil (2012 £6m) in relation to accrued backdated interest on outstanding tax items.

5. Taxation

	2013 52 weeks £m	2012 53 weeks £m
Tax charged in the income statement		
Current tax:		
- UK corporation tax	(34)	(28)
- Amounts over/(under) provided in previous years	14	(8)
Total current tax charge	(20)	(36)
Deferred tax:		
- Origination and reversal of temporary differences	(2)	5
- Adjustments in respect of previous years	(11)	7
- Change in tax rate	18	11
Total deferred tax credit	5	23
Total tax charged in the income statement	(15)	(13)

	2013 52 weeks £m	2012 53 weeks restated* £m
Tax relating to items recognised in other comprehensive income		
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
- Unrealised gains due to revaluations – revaluation reserve	16	15
- Unrealised gains due to revaluations – retained earnings	11	12
- Actuarial losses on pension schemes	7	16
- Movement in pension liability recognised due to minimum funding requirements	(17)	(23)
	17	20
Items that may be reclassified subsequently to profit or loss:		
- Cash flow hedges:		
- (Gains)/losses arising during the period	(11)	24
- Reclassification adjustments for losses included in profit or loss	(19)	(18)
	(30)	6
Total tax (charge)/credit recognised in other comprehensive income	(13)	26

* Restatement for movement in pension liability recognised due to minimum funding requirements (see note 1).

5. Taxation (continued)

	2013 52 weeks £m	2012 53 weeks £m
Tax relating to items recognised directly in equity		
Deferred tax:		
- Tax charge related to share-based payments	-	(1)

6. Earnings per share

Basic earnings per share (EPS) has been calculated by dividing the profit or loss for the period by the weighted average number of ordinary shares in issue during the period, excluding own shares held in treasury and by employee share trusts.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

Adjusted earnings per ordinary share amounts are presented before exceptional items and other adjustments and the net pensions finance charge in order to allow a better understanding of the underlying trading performance of the Group.

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
52 weeks ended 28 September 2013:			
Profit/EPS	135	32.9p	32.7p
Exceptional items and other adjustments, net of tax	4	1.0p	1.0p
Net pensions finance charge, net of tax	4	1.0p	1.0p
Adjusted profit/EPS	143	34.9p	34.7p
53 weeks ended 29 September 2012:			
Profit/EPS	70	17.1p	17.0p
Exceptional items and other adjustments, net of tax	46	11.2p	11.1p
Net pensions finance charge, net of tax	9	2.2p	2.1p
Adjusted profit/EPS	125	30.5p	30.2p

The weighted average number of ordinary shares used in the calculations above are as follows:

	2013 52 weeks m	2012 53 weeks m
For basic EPS calculations	410	409
Effect of dilutive potential ordinary shares:		
- Contingently issuable shares	-	2
- Other share options	2	1
For diluted EPS calculations	412	412

7. Cash flow from operations

	2013 52 weeks £m	2012 53 weeks £m
Operating profit	283	232
Add back: operating exceptional items	29	72
Operating profit before exceptional items	312	304
Add back:		
Depreciation of property, plant and equipment	109	111
Amortisation of intangibles	1	-
Cost charged in respect of share-based payments	2	-
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	424	415
Movements in working capital and pension contributions:		
Decrease/(increase) in inventories	2	(1)
Increase in trade and other receivables	(10)	(9)
Decrease in trade and other payables	(5)	(21)
Increase in provisions	-	3
Additional pension contributions	(40)	(40)
Cash flow from operations	371	347

8. Analysis of net debt

	2013 £m	2012 £m
Cash and cash equivalents (see below)	340	311
Other cash deposits (see below)	25	25
Securitised debt	(2,132)	(2,186)
Derivatives hedging balance sheet debt[a]	8	9
	(1,759)	(1,841)

a. Represents the element of the fair value of currency swaps hedging the balance sheet value of the Group's US dollar denominated loan notes. This amount is disclosed separately to remove the impact of exchange movements which are included in the securitised debt amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including overnight deposits, of £268m (2012 £286m) and cash deposits with an original maturity of three months or less of £72m (2012 £25m).

Other cash deposits

Other cash deposits at 28 September 2013 comprise £25m (2012 £25m) of cash at bank with an original maturity of three months or more.

9. Movement in net debt

	2013 52 weeks £m	2012 53 weeks £m
Net increase in cash and cash equivalents	29	5
Add back cash flows in respect of other components of net debt:		
Transfers from other cash deposits	-	(25)
Repayment of principal in respect of securitised debt	55	52
Decrease in net debt arising from cash flows	84	32
Movement in capitalised debt issue costs net of accrued interest	(2)	(3)
Decrease in net debt	82	29
Opening net debt	(1,841)	(1,870)
Closing net debt	(1,759)	(1,841)

10. Pensions

Restatement in relation to IFRIC 14 and minimum funding requirements

Following recent guidance from the FRRP regarding the treatment of a schedule of contributions in relation to a minimum funding requirement under IFRIC 14, the Group has reconsidered the appropriate accounting treatment for its pension funding obligations. As a result the Group now includes the schedule of contributions within the overall pension liability recorded at the period end.

The Group has restated the comparative amounts for the periods ended 29 September 2012 and 24 September 2011 which has the impact of increasing the pension liability by £188m and £266m respectively; increasing the deferred tax asset by £43m and £66m; and reducing brought forward retained earnings (through a reduction in other comprehensive income) by the net amount of £145m and £200m. The tables below provide a summary of the amounts previously reported, the adjustments made and the restated amounts:

Group balance sheet	2012 £m	2011 £m
Actuarial deficit (as reported)	(88)	(37)
Additional liability recognised due to minimum funding requirements	(188)	(266)
Net liability (restated)	(276)	(303)
Deferred tax relating to retirement benefit obligations (as reported)	20	9
Additional deferred tax asset recognised due to minimum funding requirements	43	66
Deferred tax relating to retirement benefit obligations (restated)	63	75

10. Pensions (continued)

Total income/(expense) recognised in the Group statement of comprehensive income is summarised as follows:

Group statement of comprehensive income	2012 53 weeks £m	2011 52 weeks £m
Actuarial (loss)/gain recognised (as reported)	(81)	84
Movement in pension liability recognised due to minimum funding requirements	78	(266)
Total movement in pension liability recognised (restated)	(3)	(182)
Tax relating to actuarial (loss)/gain (as reported)	16	(25)
Tax relating to movement in pension liability recognised due to minimum funding requirements	(23)	66
Total tax relating to movement in pension liability (restated)	(7)	41
Actuarial (loss)/gain recognised after tax (as reported)	(65)	59
Movement in pension liability recognised due to minimum funding requirements after tax	55	(200)
Total movement in pension liability recognised after tax (restated)	(10)	(141)

Amounts recognised in respect of defined benefit schemes

The following amounts relating to the Group's defined benefit and defined contribution arrangements have been recognised in the Group income statement and Group statement of comprehensive income:

Group income statement	2013 52 weeks £m	2012 53 weeks £m
Operating profit:		
Employer contributions (defined contribution plans)	(5)	(5)
Charge to operating profit	(5)	(5)
Finance income:		
Expected return on pension scheme assets	67	66
Interest on pension scheme liabilities	(72)	(77)
Net finance charge in respect of pensions	(5)	(11)
Total charge	(10)	(16)

Group statement of comprehensive income	2013 52 weeks £m	2012 53 weeks restated* £m
Actual return less expected return on pension scheme assets	78	96
Changes in assumptions underlying the present value of the scheme liabilities	(143)	(177)
Actuarial loss recognised	(65)	(81)
Movement in pension liability recognised due to minimum funding requirements	57	78
Total movement in pension liability recognised in other comprehensive income	(8)	(3)

* Restatement for movement in pension liability recognised due to minimum funding requirements (see note 1).

10. Pensions (continued)

The deficit in the schemes recognised as a liability in the balance sheet is as follows:

	2013 £m	2012 restated* £m	2011 restated* £m
Equities	545	488	420
Bonds	1,120	1,058	999
Other	67	64	53
Fair value of assets	1,732	1,610	1,472
Present value of scheme liabilities	(1,849)	(1,698)	(1,509)
Actuarial deficit in the schemes	(117)	(88)	(37)
Additional liability recognised due to minimum funding requirements	(131)	(188)	(266)
Total pension liability	(248)	(276)	(303)
Associated deferred tax asset	50	63	75

* Restatement for movement in pension liability recognised due to minimum funding requirements (see note 1).

The movement in the schemes' actuarial deficit in the period is as follows:

	Net deficit		
	2013 £m	2012 £m	2011 £m
At beginning of period	(88)	(37)	(143)
Current service cost	-	-	(4)
Exceptional pension charge (curtailment)	-	-	(13)
Interest cost on benefit obligations	(72)	(77)	(79)
Expected return on plan assets	67	66	74
Employer contributions	41	41	44
Actuarial (loss)/gain recognised	(65)	(81)	84
At end of period	(117)	(88)	(37)

11. Financial statements

The preliminary statement of results was approved by the Board of Directors on 25 November 2013. It does not constitute the Group's statutory financial statements for the 52 weeks ended 28 September 2013 or for the 53 weeks ended 29 September 2012. The financial information is derived from the statutory financial statements of the Group for the 52 weeks ended 28 September 2013.

Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's Annual General Meeting. The Company's auditor reported on those accounts; their reports were unqualified; did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under S498(2) or (3) of the Companies Act 2006.

12. Revaluation

The majority of the Group's freehold and long leasehold licensed properties have been valued at market value, as at 28 September 2013 using information provided by CBRE, independent chartered surveyors.

The valuation was carried out in accordance with the provisions of RICS Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity. The market value has been determined having regard to factors such as current and future projected income levels, taking account of location, quality of the pub or restaurant and recent market transactions in the sector.

The impact of the property revaluation is a net book value increase of £48m (2012 decrease of £25m) comprising an impairment of £12m (2012 £35m) net of a revaluation reserve credit of £60m (2012 £10m) shown in the Group statement of comprehensive income. In addition, a review of the short leasehold and unlicensed property estate has resulted in an impairment of £17m (2012 £12m).