MITCHELLS & BUTLERS PLC
LEI no: 213800JHYNDNB1NS2W10

30 November 2023

FULL YEAR RESULTS

(For the 53 weeks ended 30 September 2023)

Highlights

- Like-for-like sales[a] growth for the period of 9.1% against FY 2022 with record outperformance against the market[b]
- Adjusted operating profit increased by 17.6% (52-weeks, net of government support)
- Cost headwinds starting to abate
- Purchase of Ego Restaurants will provide synergy and rollout opportunities
- Improved guest feedback and employee engagement scores

Reported results (53 week year)

- Total revenue of £2,503m (FY 2022 £2,208m)
- Operating profit of £98m (FY 2022 £124m)
- Profit/(loss) before tax of £(13)m (FY 2022 £8m)

Trading results

- Adjusted operating profit[a] £221m on 52-week basis (FY 2022 £240m)
- Adjusted earnings per share[a] 15.6p on 52-week basis (FY 2022 18.0p)

Balance sheet and cash flow

- Net debt[a] reduced to £1,170m (FY 2022 £1,198m), excluding £463m of IFRS 16 lease liabilities (FY 2022 £481m)
- Refinancing of Revolving Credit Facility to July 2026, increased by £50m to £200m
- Successful buy-in of M&B Main pension scheme with no further pension contributions anticipated

Phil Urban, Chief Executive, commented:

"We are delighted by the continued strength of our trading performance, and resilience in the face of unprecedented cost headwinds. We have achieved good growth in underlying profit, excluding government support, with like-for-like sales[a] growth across all of our brands, and record outperformance against the market[b]. Whilst we remain mindful of the pressures that the UK consumer is facing, the strength of our sales growth alongside an abating cost environment gives us confidence for the financial year ahead.

We will remain focused on our strategic priorities delivered through our Ignite and capital programmes, which combined with our diverse portfolio of well-known brands, strong estate locations and talented people, leave us well positioned to rebuild margins back towards pre-pandemic levels."

Definitions

a – The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. APMs are explained later in this announcement.

b – Market performance as measured by CGA Business Tracker.

There will be a presentation held today at 8:30am accessible by phone on 0204 587 0498, access code: 029921 and at https://www.netroadshow.com/events/login?show=eb765856&confId=56017 The slides will also be available on the website at www.mbplc.com The replay will then be available at http://www.mbplc.com/fy2023/analystspresentation

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 – Chief Financial Officer	+44(0)121 498 6112
Amy de Marsac – Investor Relations	+44(0)121 498 6514
James Murgatroyd (Finsbury)	+44(0)20 7251 3801

Note for editors:
Mitchells & Butlers is a leading operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Stonehouse, Vintage Inns, Browns, Castle, Nicholson's, O'Neill's, Ember Inns and Ego Restaurants. In addition, it operates Innkeeper's Collection hotels in the UK and Alex restaurants and bars in Germany. Further details are available at www.mbplc.com and supporting photography can be downloaded at www.mbplc.com/imagelibrary.

CURRENT TRADING AND OUTLOOK

Since the period end, we have been further encouraged by like-for-like sales[a] growth of 7.2%. The strength of our sales performance continues to be broad-based across the brand portfolio and underpinned by stable volumes, giving us confidence that further opportunity remains, although we are very mindful of the potential implications of the cost of living challenge facing guests.

Cost headwinds presented a significant challenge in FY 2023 but we are seeing clear evidence that these are starting to abate. We now know that the National Living Wage will increase by 9.8%, and be extended to everyone over 21, from April next year, but a reduction in energy prices and slowing food inflation, in particular, mean that anticipated overall cost headwinds for the year ahead are expected to reduce to c.£65m. This should allow us to start to rebuild margins back towards pre-pandemic levels.

We are working hard to continue to drive sales growth above the market, whilst both leveraging our buying power and further enhancing the efficiency of our business. This allows us to face the future with a renewed level of confidence.

BUSINESS REVIEW

Total sales across the period were £2,503m with year-on-year growth driven by strong like-for-like sales[a] performance across all of our brands. Operating profit of £98m was £26m lower than the prior year, impacted both by property portfolio valuation movements classified in separately disclosed items and the inclusion last year of an additional £52m of non-recurring government support (in the form of reduced VAT and grants).

Overall, we are very pleased with our 52-week adjusted operating profit[a] result of £221m, before separately disclosed items, which reflects a strong performance in the face of considerable cost headwinds and a record like-for-like sales[a] outperformance against the market, as measured by the CGA Business Tracker, of 2.7ppts.

We made a good start to the financial year with like-for-like sales[a] growth of 6.5% over the first ten weeks, primarily driven by drink sales. Growth then increased further in the final five weeks of the first quarter due principally to last year being impacted by the emergence of the Omicron variant which resulted in a downturn in activity across much of the festive season. Like-for-like sales[a] for the quarter were up 10.4% against FY 2022.

Sales remained resilient through the second quarter with strong performances on key trading dates and from our drink-led, city centre pubs, especially in London, that benefitted from a further return to office working and recovery in tourism. Across the quarter, we recorded like-for-like sales[a] growth of 6.4%, comprising drink sales growth of 9.9% and food sales growth of 5.2%.

Through the second half, sales performance remained strong and our outperformance of the market extended further. Despite a wetter and cooler summer than the prior year, like-for-like[a] sales grew by 9.7% through the second half, with all brands in like-for-like sales[a] growth and supported by sustained growth in both food and drink volumes.

The uncertainty and cost challenges the industry has faced have had an unavoidable impact on market supply with a 3.6% net decline in pubs and restaurants in the year to October 2023 and a 13.2% net decline since the start of the Covid-19 pandemic in March 2020 (CGA October Hospitality Market Monitor 2023). Independent and tenanted businesses have made up the substantial majority of the net closures. Given our strong estate and portfolio of brands, we believe that we are well placed to continue to benefit from these changes in the competitive landscape.

OUR STRATEGIC PRIORITIES

The strengths of our business provide a strong platform for the future. We have an 83% freehold and long leasehold estate, with recognised and diversified brands across a broad range of consumer occasions, demographics and locations, and an experienced and proven management team with the focus to build on the momentum we now have. We are focused on the strategic pillars which began to turn the business's performance around in 2018, remained at the heart of the business through the pandemic and continue to guide our growth;

- Build a more balanced business
- Instil a commercial culture
- Drive an innovation agenda

Our Ignite programme of work remains at the core of our long-term value creation plans. The programme consists of a rolling total of approximately 40 initiatives, with new workstreams being introduced in the period replacing those fully implemented in the business. Given the cost headwinds faced over the last year, we have been particularly focused on initiatives which increase efficiency and productivity through enhancements such as improved labour scheduling, cost mitigating procurement strategies and energy consumption reduction. Energy reduction projects in particular have helped to offset utility cost headwinds, as well as contribute towards our sustainability aims, including investment in solar panels, the roll out of voltage optimisers and the trial of internet-connected control devices to lower electricity and gas consumption. In addition, our energy and sustainability ambassadors across the country support General Managers in the behavioural change needed to continue reducing consumption in our sites, the combined result being a reduction in energy consumption of 3% versus last year and 14% versus 2019.

We have also continued to focus on sales-driving initiatives, ensuring that General Managers are equipped with the knowledge and tools to drive sales in their businesses. Each of our General Managers attended a workshop designed to develop and enhance these skills as well as focusing on improving guest metrics by delivering great experiences. We have also increased our capacity at peak times by opening additional bookable covers across bars and outside areas. The benefit of these workstreams is reflected in the broad-based like-for-like sales [a] performance across all of our brands, supported by volume growth, as well as guest scores of over 4.1 in every one of our brands.

Across a multi-location business, comprising over 1,650 sites, execution of business change will always be a key challenge when targeting efficiencies. Consistent delivery of our Ignite initiatives has become an increased focus in order to realise the full value of activities which have been proven in other parts of the business. Therefore, in FY 2024, alongside new initiatives we will be focusing on extracting the full value of initiatives which have already been rolled out to the business, but which currently have inconsistent results. We already have the knowledge and experience to make these activities work, therefore targeted training and sharing of expertise should enable the full value of these initiatives to be realised.

We remain committed to accelerating our digital strategy, which presents an opportunity for more personalised guest experiences. Our strategy focuses on building the correct digital and organisational capabilities to allow for quick activation of new channels and services as consumer behaviours change, allowing us to be at or near the forefront of digital advances in the sector. We have made significant progress in recent years, for example our digital order at table facility, our streamlined online booking experience, and the development of own channel delivery capability seeking to drive sales and protect margins.

Our capital programme continues to deliver value by improving the competitive position of our pubs and restaurants within their local markets. We are committed to re-establishing a seven-year investment cycle, which was interrupted by Covid-19. This financial year we have completed 151 investment projects, slightly fewer than last year but with a higher proportion of larger projects, including 11 conversions of sites to brands such as Miller & Carter and Nicholson's to enable them to optimise trading opportunities in their location. We have also purchased six new sites (of which four are freehold) either by buying in existing leases to give us assured tenancy of successful sites, or by establishing new locations to broaden our offer in areas such as Edinburgh airport, Cardiff, Sheffield and Middlesbrough. We are continuing to see strong performances from our investment projects.

In June 2023 we completed the acquisition of the remaining 60% stake in 3Sixty Restaurants Limited, owners of Ego Restaurants, having acquired the initial 40% stake in August 2018. Ego is a collection of Mediterranean-inspired pubs and restaurants where guests can enjoy freshly cooked food, cocktails, cask ales and wine from across the continent. It currently has 29 sites, including 16 that are leased from Mitchells & Butlers, and c.1,000 employees. We currently foresee scope for c.20-30 conversions using the Ego format over the next three to five years. This type of acquisition, of a brand which provides a conversion opportunity which complements our brand portfolio, allows us to generate value through cost synergies of c.£3m as well as incremental profit on conversion.

PEOPLE

Our fantastic team of over 50,000 people is central to the performance of our business, delivering the all-important experiences guests have with us. We are delighted that our staff turnover reduced this financial year to 81%, a return to pre-pandemic stability. Lower turnover has a positive impact on guest experience and also holds commercial benefits due to the cost of training new team members. We are also delighted that our team engagement scores have continued to improve over the course of the year and are now at record highs, demonstrating the commitment of our teams to work together towards the shared goal of driving the future success of the business.

The recent employment environment has been challenging, and our centralised HR function has been focused on attracting the best talent, enhancing performance through our development programmes and retaining teams through progression opportunities. During the period, over 50% of our General Manager appointments were internal, which reflects the strength of the pipeline of talent we have in the organisation. Our apprentice scheme forms part of our training and progression opportunity, and we believe it will provide excellent future talent to our organisation, from front and back of house roles in our pubs and restaurants to corporate roles in our head office. This financial year over 680 apprentices have joined our business and 980 of our current employees have enrolled onto one of the apprenticeship opportunities open to them. Given the importance of developing and retaining chefs, we continue to grow our culinary capability via our Chefs' Academy and 187 of our chefs have embarked on the Commis Chef apprenticeship delivered by our award-winning tutors.

SUSTAINABILITY

We are committed to reducing the environmental impact of our business and have set ambitious targets against which to measure our progress:

- Net Zero emissions by 2040, including Scope 1, 2 and 3 emissions; in the period we reduced our emissions by 11% against our 2019 baseline, driven by reduced energy consumption, moving to 100% renewable electricity and reduced emissions in relation to employee travel as we transition our fleet towards hybrid and electric cars. On the intensity measure of emissions to turnover, our output of emissions has reduced by over 20% from our 2019 baseline and by 2% from FY 2022. We have submitted our roadmap to Net Zero for Science Based Target initiative for approval and continue to be active members of the Zero Carbon Forum where we work collaboratively with the ambition of decarbonising the hospitality industry as a whole.

- Zero operational waste to landfill by 2030; we continued to make good progress in this area and currently divert 97% of operational waste from landfill. We have also focused on increasing the proportion of waste that we recycle and have improved our recycling performance to 59%.

- 50% reduction in food waste by 2030; aligned with the UN Sustainable Development Goals we will halve food waste in our supply chain and in sites by 2030. As at the year end, we have achieved a 25% reduction in food waste from our 2019 baseline, driven by operational improvements and aided by partnerships with Fareshare and Too Good to Go. This performance reflects a 1% reduction of the intensity measure of grams of waste per meal from FY 2022.

We have a number of initiatives underway to support these ambitions. Our network of Energy and Sustainability Ambassadors have helped to facilitate a 3% reduction in energy consumption during the year driven by behavioural change as well as investment in voltage optimisers. To reach our near-term Net Zero targets we are focused on removing gas as an energy source. To this aim, during the year we collaborated with suppliers to develop electric kitchen equipment, which is more operationally effective than their gas equivalents, and we are in the process of testing the kit with teams. In addition, we have opened two all-electric sites, trialling alternatives to gas boilers for heating and hot water, as well as various insulation techniques. These trials will help to inform our future strategy for removal of gas.

Our sustainability strategy has a strong focus on the positive impact we have on people and communities and we are proud to partner with Social Bite, a homelessness charity. Under the Jobs First programme, helping people

back to independence through long-term employment opportunities, we were delighted to employ 10 people from their academy and hope to expand this in future years. In addition, we raised £140k for Social Bite through fundraising activity and £160k for Shelter, another charity partner.

We remain focused on the delivery of our transition plan designed to reduce our climate impact, evolving our plan in response to emerging technologies, best practice and collaborative opportunities. Meanwhile, we also aim to enhance our social impact through our own operations, by facilitating social mobility, as well as through our work with charitable partners.

FINANCIAL REVIEW

On a statutory basis, sales were £2,503m (FY 2022 £2,208m). The loss before tax for the period of £(13)m (FY 2022 profit of £8m) was impacted by movements to the property portfolio valuation as well as significant cost headwinds during the financial year.

The Group Income Statement discloses adjusted profit and earnings per share information that excludes separately disclosed items to allow an understanding of the trading performance of the Group. Separately disclosed items are identified by virtue of their size or incidence.

The financial period being reported on was a 53-week period, therefore in order to facilitate comparison to prior year, adjusted results have been restated on a 52-week basis, as set out below.

	Statutory 53 week		Adjusted[a] 52 week	
	FY 2023 £m	FY 2022 £m	FY 2023 £m	FY 2022 £m
Revenue	2,503	2,208	2,459	2,208
Operating profit	98	124	221	240
Profit / (loss) before tax	(13)	8	112	124
Earnings / (loss) per share	(0.7p)	2.2p	15.6p	18.0p
Operating margin	3.9%	5.6%	9.0%	10.9%

At the end of the period, the total estate comprised 1,718 sites in the UK and Germany of which 1,654 are directly managed.

Revenue

Total revenue of £2,503m (FY 2022 £2,208m) reflects a strong period of trading.

Like-for-like sales[a] for the period increased by 9.1%, comprising an increase in like-for-like food sales[a] of 8.6% and an increase in like-for-like drink sales of 9.9%. Like for like sales[a] growth was broad-based, with growth across all brands, supported by volume growth in both food and drink. Excluding the impact of reduced rates of VAT in the first half of FY 2022, like-for-like sales[a] growth across the period was 11.3%.

Like-for-like sales[a] growth against FY 2022:

	Wks 1–15 Q1	Wks 16–28 Q2	Wks 29–43 Q3	Wks 44–52 Q4	Wks 1–52
Food	6.4%	5.2%	11.6%	11.6%	**8.6%**
Drink	15.5%	9.9%	7.4%	6.4%	**9.9%**
Total	**10.4%**	**6.4%**	**9.7%**	**9.7%**	**9.1%**

Against FY 2019, the last pre-covid year, like-for-like sales increased by 10.5% driven by spend-per-head with volumes down 8% for food and 12% for drinks.

For the eight weeks since the period end like-for-like sales[a] against FY 2023 have increased by 7.2%.

Separately disclosed items

Separately disclosed items are identified due to their nature or materiality to help the reader form a view of overall and adjusted trading.

A £131m reduction in value is recognised relating to valuation and impairment of properties, comprising a £110m impairment arising from the revaluation of freehold and long leasehold sites, a £6m impairment of short leasehold and unlicensed properties, a £14m impairment of right-of-use assets and a £1m impairment of goodwill. The £28m tax credit relates to these impairments.

Other separately disclosed items include a net profit arising on property disposals, a shortfall on an HMRC VAT claim on gaming machines and a number of items related to acquisition accounting for 3Sixty Restaurants Limited. These items net to an overall credit of £3m.

Operating profit and margins[a]

Adjusted operating profit[a] for the financial year was £221m (FY 2022 £240m).

FY 2023 benefited from £1m (FY 2022 £53m) of government support. The year-on-year adjusted operating profit increase, net of government support, of £33m reflects a strong underlying sales performance supported by efficiency gains to more than offset the cost headwinds of £175m faced in the period.

Adjusted operating margin of 9.0% was 1.9 ppts lower than prior period, driven by the significant cost headwinds and the margin benefit of government support received in FY 2022. Statutory operating margin of 3.9% was 1.7ppts lower than last year due also to the impact of separately disclosed property impairments.

Cost headwinds are now starting to abate and for FY 2024 are expected to be in the region of c.£65m, representing 3% of the overall cost base, including an expectation of energy cost reduction.

Interest

Net finance costs of £108m for the period were £6m lower than last year, with annual amortisation reducing the value of securitised debt and higher levels of interest income from cash balances.

The net pensions finance charge was £3m (FY 2022 £2m). The net pensions charge for next year is expected to be £1m.

Earnings per share

Basic losses per share, after the separately disclosed items described above, were (0.7)p (FY 2022 earnings 2.2p), with adjusted earnings per share of 16.1p, (FY 2022 18.0p).

The basic weighted average number of shares in the period was 595m and the total number of shares issued at the balance sheet date was 598m.

Cash flow

	FY 2023 £m	FY 2022 £m
EBITDA before movements in the valuation of the property portfolio	362	374
Non-cash share-based payment and pension costs and other	6	6
Operating cash flow before movements in working capital and additional pension contributions	**368**	**380**
Working capital movement	(1)	19
Pension deficit contributions	(8)	(44)
Cash flow from operations	**359**	**355**
Capital expenditure	(157)	(122)
Acquisition of 3Sixty Restaurants Limited	(17)	-
Cash acquired on acquisition of 3Sixty Restaurants Limited	5	-
Net finance lease principal payments	(52)	(45)
Interest on lease liabilities	(16)	(16)
Net interest paid	(90)	(99)
Tax	(3)	(2)
Other	1	-
Net cash flow before bond amortisation	**30**	**71**
Mandatory bond amortisation	(116)	(110)
Net cash flow	(86)	**(39)**

The business generated £362m of EBITDA before movements in the valuation of the property portfolio.

Pension deficit contributions reduced to £8m as contributions for both the Executive and Main Plan schemes started to be paid into escrow accounts. No further contributions are now anticipated into these schemes.

Capital expenditure increased by £35m to £157m with £11m of the increase in relation to investment in technology to enable progress against our sustainability goals, as analysed below.

An investment of £17m was made to acquire the remaining 60% stake in 3Sixty Restaurants Ltd, owners of Ego Restaurants, partially offset by £5m cash acquired on acquisition.

Before mandatory bond amortisation, cash inflow was £30m (FY 2022 £71m). After mandatory bond amortisation, cash outflow was £86m (FY 2022 outflow of £39m).

Capital expenditure

Capital expenditure of £157m (FY 2022 £122m) comprises £154m from the purchase of property, plant and equipment and £3m in relation to the purchase of intangible assets. Of the £157m spend, £90m relates to the completion of acquisitions, conversions and remodels, with the balance being essential maintenance and infrastructure spend which includes investment to enable our Net Zero transition.

	FY 2023		FY 2022	
	£m	#	£m	#
Maintenance and infrastructure	**67**		**39**	
Remodels – refurbishment	65	127	60	155
Remodels – expansionary	4	7	2	5
Conversions	11	11	6	6
Acquisitions – freehold	9	4	14	3
Acquisitions – leasehold	1	2	1	1
Total return generating capital expenditure	**90**	**151**	**83**	**170**
Total capital expenditure	**157**		**122**	

The four freehold acquisitions represent the purchase of two properties previously held as leasehold and two new sites.

To enable our transition to Net Zero emissions we have invested in technologies which reduce our environmental impact. During the period we invested £3m on installing 50 sites with solar panels, with a further c.150 sites identified for installation during FY 2024, and £8m on installing 1,200 voltage optimisers. These investments will underpin continued reduction in energy usage, which reduced by 3% in the period overall.

Property

In line with our property valuation policy, a red book valuation of the freehold and long leasehold estate has been completed in conjunction with the independent property valuer, CBRE. In addition, the Group has undertaken an impairment review on short leasehold and unlicensed properties. The overall property portfolio valuation of c.£4bn has decreased by £192m (FY 2022 decrease of £282m). This reflects £116m impairment included as a separately disclosed item in the income statement and a £76m decrease in the revaluation reserve. In addition, there was a £14m impairment of right-of-use assets and a £1m impairment of goodwill, relating to an historic acquisition, included within separately disclosed items in the income statement.

Net debt[a] and facilities

Net debt[a] at the period end was £1,633m, comprised of £1,170m non-lease liabilities and lease liabilities of £463m (FY 2022 £1,679m comprised of £1,198m non-lease liabilities and lease liabilities of £481m).

During the period we successfully refinanced our unsecured debt facilities which were due to expire in February 2024. The new Revolving Credit Facility ('RCF') has been increased in size to £200m based on a wider banking group, including the continued support of all existing banks, and extends to July 2026. The RCF remains unsecured, with a negative pledge in favour of participating banks, and is based on two main financial covenants – net debt to EBITDA to not exceed 3.0 times (as before) and EBITDAR to rent plus interest of not less than 1.25 times (reduced from 1.5 times).

Further details of existing debt arrangements and an analysis of net debt[a] can be found in Note 10 to the financial statements and at https://www.mbplc.com/infocentre/debtinformation/.

Pensions

During the period we were delighted to announce that the trustees of the M&B Main Pension Plan, working closely with the Company, successfully completed a full scheme buy-in with Standard Life. This transaction follows on from the completion of the buy-in of the Executive Plan announced last year and eliminates substantially all remaining pensions risk in the group.

Following each buy-in, committed contributions were made into blocked escrow accounts, to a balance of £47m. As of September this year all contributions have ceased.

The residual liability on the balance sheet of £22m (before tax) represents an unfunded unapproved pension top-up arrangement in respect of certain members of the M&B Executive Plan.

Going Concern

After considering forecasts, sensitivities and mitigating actions available to management and having regard to risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. Accordingly, the financial statements have been prepared on the going concern basis. Full details are included in Section 1 of the financial statements.

Director’s responsibility statement

The 2023 Annual Report and Accounts which will be issued in December 2023, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval of the Annual Report on 29 November 2023, the Directors confirm to the best of their knowledge:

- the Group and unconsolidated Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings included in the consolidation taken as a whole; and

- the performance review contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings including 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 29 November 2023 and is signed on its behalf by:

Tim Jones
Chief Financial Officer
29 November 2023

Group income statement

For the 53 weeks ended 30 September 2023

		2023 53 weeks			2022 52 weeks		
	Notes	Before separately disclosed items £m	Separately disclosed items[a] £m	Total £m	Before separately disclosed items £m	Separately disclosed items[a] £m	Total £m
Revenue	2	2,503	-	2,503	2,208	-	2,208
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio		(2,145)	-	(2,145)	(1,836)	-	(1,836)
Share in associates' results		1	-	1	1	-	1
Net profit arising on property disposals	3	-	3	3	-	1	1
EBITDA[b] before movements in the valuation of the property portfolio		359	3	362	373	1	374
Depreciation, amortisation and movements in the valuation of the property portfolio	3	(133)	(131)	(264)	(133)	(117)	(250)
Operating profit/(loss)		226	(128)	98	240	(116)	124
Finance costs	11	(116)	-	(116)	(115)	-	(115)
Finance income	11	8	-	8	1	-	1
Net pensions finance charge	11, 12	(3)	-	(3)	(2)	-	(2)
Profit/(loss) before tax		115	(128)	(13)	124	(116)	8
Tax (charge)/credit	5	(19)	28	9	(17)	22	5
Profit/(loss) for the period		96	(100)	(4)	107	(94)	13
Earnings/(loss) per ordinary share							
Basic	6	16.1p		(0.7p)	18.0p		2.2p
Diluted	6	16.1p		(0.7p)	18.0p		2.2p

a. Separately disclosed items are explained and analysed in note 3.

b. Earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained later in this announcement.

All results relate to continuing operations.

Group statement of comprehensive income

For the 53 weeks ended 30 September 2023

	Notes	2023 53 weeks £m	2022 52 weeks £m
(Loss)/profit for the period		(4)	13
Items that will not be reclassified subsequently to profit or loss:			
Unrealised loss on revaluation of the property portfolio	7	(76)	(187)
Remeasurement of pension liability	12	42	41
Tax relating to items not reclassified	5	5	32
		(29)	(114)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1)	2
Cash flow hedges:			
- (Losses)/gains arising during the period		(9)	180
- Reclassification adjustments for items included in profit or loss		30	1
Tax relating to items that may be reclassified	5	(5)	(45)
		15	138
Other comprehensive (expense)/income after tax		(14)	24
Total comprehensive (expense)/income for the period		(18)	37

Group balance sheet

30 September 2023

	Notes	2023 £m	2022 £m
Assets			
Goodwill and other intangible assets		17	14
Property, plant and equipment	7	4,086	4,194
Right-of-use assets	8	327	339
Interests in associates		-	6
Finance lease receivables		11	12
Other receivables		47	-
Deferred tax asset		4	4
Derivative financial instruments		33	56
Total non-current assets		4,525	4,625
Inventories		25	23
Trade and other receivables		123	90
Current tax asset		-	1
Finance lease receivables		1	1
Derivative financial instruments		2	4
Cash and cash equivalents	10	126	207
Total current assets		277	326
Total assets		4,802	4,951
Liabilities			
Pension liabilities	12	(1)	(42)
Trade and other payables		(491)	(408)
Current tax liabilities		(2)	-
Borrowings	10	(144)	(130)
Lease liabilities	8	(33)	(53)
Total current liabilities		(671)	(633)
Pension liabilities	12	(21)	(22)
Borrowings	10	(1,186)	(1,334)
Lease liabilities	8	(430)	(428)
Derivative financial instruments		(7)	(28)
Deferred tax liabilities		(348)	(354)
Provisions		(9)	(9)
Total non-current liabilities		(2,001)	(2,175)
Total liabilities		(2,672)	(2,808)
Net assets		2,130	2,143
Equity			
Called up share capital	13	51	51
Share premium account	13	357	357
Capital redemption reserve		3	3
Revaluation reserve		951	1,009
Own shares held		(5)	(5)
Hedging reserve		(4)	(20)
Translation reserve		14	15
Retained earnings		763	733
Total equity		2,130	2,143

Group statement of changes in equity

For the 53 weeks ended 30 September 2023

	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 25 September 2021	51	356	3	1,150	(3)	(156)	13	690	2,104
Profit for the period	-	-	-	-	-	-	-	13	13
Other comprehensive (expense)/income	-	-	-	(141)	-	136	2	27	24
Total comprehensive (expense)/income	-	-	-	(141)	-	136	2	40	37
Share capital issued	-	1	-	-	-	-	-	-	1
Purchase of own shares	-	-	-	-	(2)	-	-	-	(2)
Credit in respect of share-based payments	-	-	-	-	-	-	-	4	4
Tax charge on share-based payments	-	-	-	-	-	-	-	(1)	(1)
At 24 September 2022	51	357	3	1,009	(5)	(20)	15	733	2,143
Loss for the period	-	-	-	-	-	-	-	(4)	(4)
Other comprehensive (expense)/income	-	-	-	(58)	-	16	(1)	29	(14)
Total comprehensive (expense)/income	-	-	-	(58)	-	16	(1)	25	(18)
Credit in respect of share-based payments	-	-	-	-	-	-	-	5	5
At 30 September 2023	51	357	3	951	(5)	(4)	14	763	2,130

Group cash flow statement
For the 53 weeks ended 30 September 2023

	Notes	2023 53 weeks £m	2022 52 weeks £m
Cash flow from operations			
Operating profit		98	124
Add back/(deduct):			
Movement in the valuation of the property portfolio	3	131	117
Net profit arising on property disposals	3	(3)	(1)
Loss on disposal of fixtures, fittings and equipment		2	-
Depreciation of property, plant and equipment	7	93	93
Amortisation of intangibles		4	4
Depreciation of right-of-use assets	8	36	36
Cost charged in respect of share-based payments		5	4
Administrative pension costs	12	5	4
Share of associates results		(1)	(1)
Settlement of pre existing lease contracts	14	3	-
Fair value gain on associate	14	(5)	-
Operating cash flow before movements in working capital and additional pension contributions		368	380
Increase in inventories		(2)	(3)
Increase in trade and other receivables		(42)	(19)
Increase in trade and other payables		44	42
Decrease in provisions		(1)	(1)
Additional pension contributions	12	(8)	(44)
Cash flow from operations		359	355
Interest payments[a]		(95)	(67)
Interest payments on interest rate swaps[a]		(7)	(33)
Interest receipts on cross currency swap[a]		7	1
Interest payments on cross currency swap[a]		(4)	(1)
Other interest paid - lease liabilities	10	(16)	(16)
Borrowing facility fees paid		(2)	-
Interest received		9	1
Tax paid		(3)	(2)
Net cash from operating activities		248	238
Investing activities			
Acquisition of 3Sixty Restaurants Limited	14	(17)	-
Cash acquired on acquisition of 3Sixty Restaurants Limited	14	5	-
Purchases of property, plant and equipment		(154)	(117)
Purchases of intangible assets		(3)	(5)
Proceeds from sale of property, plant and equipment		3	1
Finance lease principal repayments received		1	3
Net cash used in investing activities		(165)	(118)
Financing activities			
Issue of ordinary share capital	13	-	1
Purchase of own shares		-	(2)
Repayment of principal in respect of securitised debt[b]	10	(121)	(115)
Principal receipts on currency swap[b]	10	21	20
Principal payments on currency swap[b]	10	(16)	(15)
Cash payments for the principal portion of lease liabilities	10	(53)	(48)
Net cash used in financing activities		(169)	(159)
Net decrease in cash and cash equivalents		(86)	(39)
Cash and cash equivalents at the beginning of the period	10	190	227
Foreign exchange movements		(1)	2
Cash and cash equivalents at the end of the period	10	103	190

a. Interest paid is split to show gross payments on the interest rate and cross currency swaps.
b. Principal repayments on securitised debt are split to show repayments relating to the cross currency swap.

Notes to the consolidated financial statements

1. Preparation of preliminary consolidated financial statements

General information
Mitchells & Butlers plc, along with its subsidiaries, (together 'the Group') is required to prepare its consolidated financial statements in accordance with UK-adopted International Financial Reporting Standards (IFRSs) as and in accordance with the Companies Act 2006. While the financial information included in this release is based on the Group's consolidated financial statements and has been prepared in accordance with the recognition and measurement criteria of UK-adopted International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

The preliminary financial statements include the results of Mitchells & Butlers plc and all its subsidiaries for the 53 week period ended 30 September 2023. The comparative period is for the 52 week period ended 24 September 2022. The respective balance sheets have been drawn up as at 30 September 2023 and 24 September 2022.

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

The Group's accounting policies have been applied consistently.

Going concern
The Directors have adopted the going concern basis in preparing the Group and the Company financial statements after assessing the impact of identified principal risks and their possible adverse impact on financial performance, specifically revenue and cash flows throughout the going concern period, being at least 12 months from the date of signing of these financial statements.

The challenges presented to the hospitality sector of Covid-19, Brexit and more recently high and persistent cost inflation (both for the business and its customers) have resulted in reduced levels of profits and operating cash flow since March 2020. These factors cast a degree of uncertainty as to the future financial performance and cash flows of the Group and have been considered by the Directors in assessing the ability of the Group and the Company to continue as a going concern.

The Group's primary source of borrowings is through ten tranches of fully amortising loan notes with a gross debt value of £1.3bn as at the end of the year. These are secured against the majority of the Group's properties and its future income streams. The principal repayment period varies by class of note with maturity dates ranging from 2023 to 2036.

During the year the Group completed a refinancing of its unsecured credit facility. The new facility of £200m is committed and remains unsecured, with a negative pledge in favour of participating banks, and has a maturity date in July 2026. At the balance sheet date there were no drawings under this facility.

Within the secured debt financing structure there are two main covenants: the level of net worth (being the net asset value of the securitisation group) and, FCF to DSCR. As at 30 September 2023 there was substantial headroom on the net worth covenant. FCF to DSCR represents the multiple of Free Cash Flow (being EBITDA less tax and required capital maintenance expenditure) generated by sites within the structure to the cost of debt service (being the repayment of principal, net interest charges and associated fees). This is tested quarterly on both a trailing two quarter and a four quarter basis.

The unsecured facility also has two main financial covenants, based on the performance of the unsecured estate: the ratio of EBITDAR to rent plus interest (at a minimum of 1.25 times) and Net debt to EBITDA (to be no more than 3.0 times), both tested on a half-yearly basis (for the prior four quarters).

In the year ahead the main uncertainties facing the Group are considered to be the maintenance of growth in sales in the face of pressure on consumer spending power, and cost inflation. The outlook for these is uncertain and will depend on a number of factors including consumer confidence, global political developments and supply chain disruptions and government policy.

1. Preparation of preliminary consolidated financial statements (continued)

Going concern (continued)
The Directors have reviewed the financing arrangements against a base case forward trading forecast in which they have considered the Group's current financial position. This forecast assumes mid single digit growth in sales across the year, a rate slightly below the level generated in recent months. Cost inflation is assumed to abate from the historic high levels last year, with some deflation in energy costs, blending at an expected net increase of approximately three percent across the cost base of the business of approximately £2bn. Under this base case the Group is able to stay within securitisation and committed facility financial covenants and maintains sufficient liquidity.

The Directors have also considered a severe but plausible downside scenario covering adverse movements against the base forward forecast in both sales and cost inflation in which some mitigation activity is taken including lower capital expenditure on site remodel activity and a flex down of labour and site costs in line with reduced sales. In this scenario sales are assumed to remain in growth but at an initial level of one percent, falling to three percent, below the base case forecast. Unmitigated cost inflation is also higher in the areas of food, labour and energy. In this downside scenario the Group is again able to stay within securitisation and committed facility financial covenants, whilst maintaining sufficient liquidity.

Furthermore, the Directors have considered a reverse stress test analysis, to review the headroom below which trading could fall beyond the downside scenario before the earlier of financial covenants becoming breached, or available liquidity becoming insufficient. This analysis indicates that on consistent cost assumptions, sales would be able to fall a further 3.3% (being approximately one percent down on FY 2023) throughout the forecast period before financial covenants were breached when tested at Q4 FY 2024 being the last full testing period within the 12 month going concern assessment period. In this scenario the Group would still have sufficient available liquidity.

After due consideration of these factors, the Directors therefore believe that it remains appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

Foreign currencies
The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the period of £1 = €1.16 (2022 £1 = €1.18), 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 = €1.15 (2022 £1 = €1.12) and £1 = $1.22 (2022 £1 = $1.09) respectively.

New and amended IFRS Standards that are effective for the current period
The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations which have been adopted by the Group in these consolidated financial statements for the first time with the following impact.

Accounting standard	Effective date
Amendments to IAS 37 (Onerous Contracts – cost of fulfilling a contract)	The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022. The amendments have no impact on the contracts of the Group that are identified as onerous, as all costs associated with fulfilling the lease contracts are allocated in the assessment of whether a lease is onerous. As such there is no change to the leases assessed as onerous, or the resulting onerous lease provision.
International Tax Reform – Pillar 2 model Rules – Amendments to IAS 12	The amendments were endorsed on 19 July 2023, and provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar 2 exposure from 31 December 2023. Further details are provided in note 5.

1. Preparation of preliminary consolidated financial statements (continued)

New and amended IFRS Standards that are effective for the current period (continued)

The following standards and interpretations have been adopted by the Group in these consolidated financial statements for the first time, with no impact.

Accounting standard	Effective date
Amendments to IFRS 3 (Reference to the Conceptual Framework)	1 January 2022
Amendments to IAS 16 (PPE – proceeds before intended use)	1 January 2022
Annual improvements to IFRS standards 2018-2020 cycle (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture)	1 January 2022

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense.

Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements and estimates for the period remain largely unchanged from the prior period, with the selection of assumptions for calculation of the defined benefit pension liability removed in the current period due to the reduced sensitivity to the assumptions following the main plan buy-in (see note 12).

Significant accounting estimates:

The significant accounting estimate with a significant risk of a material change to the carrying value of assets and liabilities within the next year in terms of IAS 1 Presentation of Financial Statements, is:

- Fair value of freehold and long leasehold properties – see note 7

Other areas of judgement are described in each section listed below:

- Determination of items that are separately disclosed – see note 3
- Impairment review of short leasehold properties and right-of-use assets – see note 9

Other sources of estimation uncertainty are described in:

- Impairment review of short leasehold properties and right-of-use assets – see note 9

2. Segmental analysis

Operating segments

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 Group trades in one business segment (that of operating pubs and restaurants) and the Group's brands meet the aggregation criteria set out in Paragraph 12 of IFRS 8. Economic indicators assessed in determining that the aggregated operating segments share similar economic characteristics include: expected future financial performance; operating and competitive risks; and return on invested capital. As such, the Group reports the business as one reportable business segment.

The CODM uses EBITDA and operating profit before interest and separately disclosed items as the key measures of the Group's results on an aggregated basis.

Geographical segments

Substantially all of the Group's business is conducted in the United Kingdom. In presenting information by geographical segment, segment revenue and non-current assets are based on the geographical location of customers and assets.

Geographical segments

	UK		Germany		Total	
	2023 53 weeks £m	2022 52 weeks £m	2023 53 weeks £m	2022 52 weeks £m	2023 53 weeks £m	2022 52 weeks £m
Revenue – sales to third parties	2,387	2,117	116	91	2,503	2,208
Segment non-current assets[a]	4,442	4,524	46	41	4,488	4,565

a. Includes balances relating to intangibles, property, plant and equipment, right-of-use assets, investments in associates, finance lease receivables and non-current other receivables.

3. Separately disclosed items

The items identified in the current period are as follows:

	Notes	2023 53 weeks £m	2022 52 weeks £m
Separately disclosed items			
Gaming machine settlement	a	(1)	-
Fair value adjustment to investment in 3Sixty Restaurants Limited	b	5	-
Settlement of pre-existing lease contracts on acquisition of 3Sixty Restaurants Limited	c	(3)	-
Costs associated with the acquisition of 3Sixty Restaurants Limited	d	(1)	-
Total separately disclosed items recognised within operating costs		-	-
Net profit arising on property disposals		3	1
Movement in the valuation of the property portfolio:			
- Impairment charge arising from the revaluation of freehold and long leasehold properties	e	(110)	(86)
- Net impairment of short leasehold and unlicensed properties	f	(6)	(9)
- Net impairment of right-of-use assets	g	(14)	(22)
- Net impairment of goodwill	h	(1)	-
Net movement in the valuation of the property portfolio		(131)	(117)
Total separately disclosed items before tax		(128)	(116)
Tax credit relating to above items		28	22
Total separately disclosed items after tax		(100)	(94)

a. During the period £19m has been received from HMRC, relating to VAT on gaming machine income for the period 2005 to 2012, including interest. An estimate of £20m for the amount receivable was recognised in the 52 weeks ended 25 September 2021 as a separately disclosed item. As a result, the shortfall of £1m has been recognised.

b. During the period, the Group acquired the remaining 60% of share capital of 3Sixty Restaurants Limited, after having a 40% interest since April 2018. As a result of this acquisition achieved in stages, the Group has applied the principles of IFRS 3 and remeasured the 40% interest to fair value at acquisition (see note 14 for further details).

c. As a result of the acquisition of 3Sixty Restaurants Limited, a loss has been recognised at acquisition for the settlement of pre-existing lease contracts, due to the terms of the contracts being below to market terms (see note 14).

d. Relates to integration costs, restructuring costs and legal and professional fees incurred in the acquisition of 3Sixty Restaurants Limited on 18 June 2023.

e. The impairment arising from the Group's revaluation of its freehold and long leasehold pub estate comprises an impairment charge, where the carrying values of the properties exceed their recoverable amount, net of a revaluation surplus that reverses past impairments. See note 7 for further details.

f. Impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amounts, net of reversals of past impairments. See note 9 for further details.

g. Impairment of right-of-use assets where their carrying values exceed their recoverable amounts, net of reversals of past impairments. See note 9 for further details.

h. Impairment of goodwill where the carrying value exceeds the recoverable amount. See note 9 for further details.

4. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the income statement on a systematic basis over the periods in which the Group recognises as expenses the related operating costs for which the grants are intended to compensate.

Apprenticeship incentives

The Group is entitled to claim £1,000 for each apprentice employed, where they are aged 16 to 18, or under 25 and meet certain other criteria. In prior periods, as part of its response to the Covid-19 pandemic, the UK Government introduced a scheme to enable an employer to receive up to an additional £3,000 per apprentice, where the apprentice commenced employment between 1 August 2020 and 31 January 2022. The payment is phased with amounts due in equal instalments at 90 days and 365 days after employment commenced and is recognised on receipt of cash.

Local Authority grants

During the prior period, following the EU Court ruling on State Aid aggregation, the Group recognised an additional £2m of Covid-19 support, subject to the individual caps applicable in both the UK and Germany. In addition, following the outbreak of the Omicron variant of Covid-19 in the UK in November 2021, the Government introduced some further grants to help support businesses in the leisure and hospitality sectors. As a result, a further £1m of grants were recognised.

German Government grants

In the prior period, following the impact of the Omicron variant, grant claims were made for costs incurred during periods of significantly lower sales under an extension of the Bridging Aid scheme.

The impact of grants received on the income statement is as follows:

Government grant scheme	**Income statement line impact**	2023 53 weeks £m	2022 52 weeks £m
Local Authority Grants (UK and Germany)	Revenue – other	-	3
Grants for loss of profits in Germany	Revenue – other	-	1
Apprenticeship incentives	Revenue – other	1	1
Total Government grants received		1	5

VAT

In addition to the above grants, in the prior period, the Group benefited from a reduction in the rate of VAT from 20% to 12.5% applied for the six month period from 1 October 2021 until 31 March 2022. The estimated impact of this on food and drink revenue in the current period is £nil (2022 £43m).

Business rates

The Group also benefitted from business rates relief in the prior period. Across all sites within the UK, this is an estimated saving of £nil (2022 £5m).

5. Taxation

Taxation - Group income statement

	2023 53 weeks £m	2022 52 weeks £m
Current tax:		
- Corporation tax	(5)	(3)
- Amounts over-provided in prior periods	-	1
Total current tax charge	(5)	(2)
Deferred tax:		
- Origination and reversal of temporary differences	11	3
- Effect of changes in UK tax rate	3	4
Total deferred tax credit	14	7
Total tax credit in the Group income statement	9	5
Further analysed as tax relating to:		
Profit before separately disclosed items	(19)	(17)
Separately disclosed items	28	22
	9	5

The standard rate of corporation tax applied to the reported (loss)/profit is 22.0% (2022 19.0%).

The tax credit (2022 credit) in the Group income statement for the period is higher than (2022 lower) the standard rate of corporation tax in the UK. The differences are reconciled below:

	2023 53 weeks £m	2022 52 weeks £m
(Loss)/profit before tax	(13)	8
Taxation credit/(charge) at the UK standard rate of corporation tax of 22.0% (2022 19.0%)	3	(1)
Expenses not deductible	(1)	(2)
Permanent benefits	5	4
Tax credit in respect of change in UK tax rate	3	4
Adjustment in respect of prior periods	-	1
Effect of different tax rates of subsidiaries in other jurisdictions	(1)	(1)
Total tax credit in the Group income statement	9	5

Taxation for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

	2023 53 weeks £m	2022 52 weeks £m
Deferred tax in the Group income statement:		
Accelerated capital allowances	(14)	(12)
Retirement benefit obligations	-	(8)
Unrealised losses on revaluations	28	23
Tax losses – UK	-	(9)
Tax losses – Interest restriction	-	13
Total deferred tax credit in the Group income statement	14	7

5. Taxation (continued)

Taxation – other comprehensive income

	2023 53 weeks £m	2022 52 weeks £m
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
- Unrealised losses due to revaluations – revaluation reserve	18	46
- Unrealised gains due to revaluations – retained earnings	(4)	(5)
- Remeasurement of pension liability	(9)	(9)
	5	32
Items that may be reclassified subsequently to profit or loss:		
- Cash flow hedges	(5)	(45)
Total tax charge recognised in other comprehensive income	-	(13)

	2023 53 weeks £m	2022 52 weeks £m
Tax relating to items recognised directly in equity		
Deferred tax:		
- Tax charge related to share-based payments	-	(1)

Factors which may affect future tax charges

The Finance Act 2021 increased the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. The effect of this change has been reflected in the closing deferred tax balances at 24 September 2022 and 30 September 2023.

The Group is within the Pillar Two income tax legislation, which is effective for financial periods beginning on or after 31 December 2023. The Group is currently assessing the impact of the legislation on its future financial performance and although it does not anticipate that the legislation will have a material impact on the Group's results, this cannot be confirmed until the assessment has been completed.

6. Earnings/(loss) per share

Basic earnings per share (EPS) has been calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period, excluding own shares held 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 separately disclosed items (see note 3) in order to allow an understanding of the adjusted trading performance of the Group.

The profits used for the earnings per share calculations are as follows:

	2023 53 weeks £m	2022 52 weeks £m
(Loss)/profit for the period	(4)	13
Separately disclosed items, net of tax	100	94
Adjusted profit for the period[a]	96	107

a. Adjusted profit and adjusted EPS are alternative performance measures (APMs) and are considered critical to aid understanding of the Group's performance. These measures are explained later in this announcement.

6. Earnings/(loss) per share (continued)

The number of shares used for the earnings per share calculations are as follows:

	2023 53 weeks million	2022 52 weeks million
Basic weighted average number of ordinary shares	595	595
Effect of dilutive potential ordinary shares:		
- Contingently issuable shares	-	1
Diluted weighted average number of shares	595	596

	2023 53 weeks Pence	2022 52 weeks pence
Basic earnings/(loss) per share		
Basic (loss)/earnings per share	(0.7p)	2.2p
Separately disclosed items net of tax per share	16.8p	15.8p
Adjusted basic earnings per share[a]	16.1p	18.0p
Diluted earnings/(loss) per share		
Diluted earnings per share	(0.7) p	2.2 p
Adjusted diluted earnings per share[a]	16.1 p	18.0 p

a. Adjusted earnings and adjusted EPS are alternative performance measures (APMs) and are considered critical to aid understanding of the Group's performance. These measures are explained later in this announcement.

At 30 September 2023, 7,323,559 (2022 4,839,607) other share options were outstanding that could potentially dilute basic EPS in the future but were not included in the calculation of diluted EPS as they are anti-dilutive for the periods presented.

7. Property, plant and equipment

Accounting policies

Property, plant and equipment
The majority of the Group's freehold and long leasehold licensed land and buildings, and the associated landlord's fixtures, fittings and equipment (i.e. fixed fittings) are revalued annually and are therefore held at fair value less depreciation. Tenant's fixtures and fittings (i.e. loose fixtures) within freehold and long leasehold properties, are held at cost less depreciation and impairment.

Short leasehold buildings (leases with an unexpired lease term of less than 50 years), unlicensed land and buildings and associated fixtures, fittings and equipment are held at cost less depreciation and impairment.

Revaluation
The revaluation, performed at 30 September 2023, is determined via annual third-party inspection of 20% of the sites with the aim that all sites are individually valued approximately every five years. The valuation utilises estimates of fair maintainable trade and valuation multiples, with fair maintainable trade comprising estimates of both fair maintainable turnover (FMT) and fair maintainable operating profit (FMOP), and estimated fair value of tenant's fixtures and fittings. The revaluation determined by the annual inspection was carried out in accordance with the RICS Valuation – Global Standards 2022 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK (the 'Red Book') assuming each asset is sold as a fully operational trading entity.

7. Property, plant and equipment (continued)

Accounting policies (continued)

Revaluation (continued)
Properties are valued as fully operational entities, to include fixtures and fittings but excluding stock, personal goodwill and estimated fair value of tenant's fixtures and fittings.

The 80% of the freehold and long leasehold estate which is not subject to a third-party valuation in the period is instead revalued internally by management. The Group's external valuer provides advice to management in relation to their internal valuation. This valuation is performed using the same principles applied in determining FMT and FMOP for the externally valued estate together with using the same multiples as those applied by the external valuer. Sites impacted by expansionary capital investment in the preceding twelve months are reviewed for impairment only, based on estimated annualised post investment fair maintainable trade against the carrying value of the asset. Where the value of land and buildings derived purely from a multiple applied to the fair maintainable trade misrepresents the underlying asset value, a spot valuation is applied.

Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation deficit which has been recognised in the income statement previously; in which case an amount equal to a maximum of that recognised in the income statement previously is recognised in the income statement. Where the revaluation exercise gives rise to a deficit, this is reflected directly within the income statement, unless it is reversing a previous revaluation surplus against the same asset; in which case an amount equal to the maximum of the revaluation surplus is recognised within other comprehensive income (in the revaluation reserve).

Impairment
Short leaseholds, unlicensed properties and fixtures and fittings are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Further details of the impairment policy are provided in the impairment note 9.

Property, plant and equipment can be analysed as follows:

	2023 £m	2022 £m
At beginning of period	4,194	4,442
Acquired through business combinations (note 14)	29	-
Additions	151	130
Net decrease from property revaluation	(186)	(273)
Impairment of short leasehold properties	(6)	(9)
Disposals	(3)	(4)
Depreciation provided during the period	(93)	(93)
Exchange differences	-	1
At end of period	4,086	4,194

7. Property, plant and equipment (continued)

Revaluation and impairment recognised

Current period valuations have been incorporated into the consolidated financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or Group income statement as appropriate.

The impact of the revaluations/impairments described above is as follows:

	2023 53 weeks £m	2022 52 weeks £m
Group income statement		
Revaluation deficit charged as an impairment	(162)	(115)
Reversal of past revaluation deficits	52	29
Total impairment charge arising from the revaluation	(110)	(86)
Impairment of short leasehold and unlicensed properties (note 9)	(11)	(9)
Reversal of past impairments of short leasehold and unlicensed properties (note 9)	5	-
Net impairment of short leaseholds and unlicensed properties	(6)	(9)
Total impairment charge recognised in the income statement	(116)	(95)
Group statement of other comprehensive income		
Unrealised revaluation surplus	162	60
Reversal of past revaluation surplus	(238)	(247)
Total movement recognised in other comprehensive income	(76)	(187)
Net decrease in property, plant and equipment	(192)	(282)

Accounting judgements

Revaluation of freehold and long leasehold properties

The revaluation methodology is determined, with advice from CBRE, independent chartered surveyors and incorporates management judgement where appropriate. The application of a valuation multiple to the fair maintainable trade of each site is considered the most appropriate method for the Group to determine the fair value of freehold and long leasehold licensed land and buildings.

In the current and prior period judgement has been applied to establish the basis of fair maintainable trade that a willing third-party buyer would assume. The estimation of fair maintainable trade is derived from the individual profit and loss accounts of pubs and restaurants and is inclusive of the trading margins earned by the Group but exclusive of any head office costs. This represents the Group's best view of the value that would be attributed by other reasonably efficient operators. In the current period the prevailing reported profits have been negatively impacted by high and sustained cost inflation, notably in food and energy price increases driven by the Ukraine conflict. In the current period, turnover (FMT) has been determined using recent site performance however the inflationary pressures are not expected to fully impact onsite valuations and as such, FMOP has been determined to include an adjustment to current margins. In the prior period ending 24 September 2022 judgement was made to adjust both turnover and margin for the impact of the Omicron variant of Covid-19 in November 2021 and the recovery in trade thereafter, and high cost inflation on margin.

Where sites have been impacted by expansionary capital investment in the preceding twelve months, the fair maintainable trade has been determined by estimating both FMT and FMOP by reference to post-investment forecasts and turnover trends post opening.

For the purposes of the valuation, and in order to group together properties of a similar nature, groupings by brand are applied for which standard multiples have been established through third-party inspections of 20% of the freehold and long leasehold licensed property estate. Judgements are applied in assessing multiples on the basis of market evidence of transaction prices and nature of the overall offer within the local market, with specific consideration given to geographical location, ancillary revenue such as accommodation sales from bedrooms and lease terms for long leasehold sites.

7. Property, plant and equipment (continued)

Accounting judgements (continued)

Revaluation of freehold and long leasehold properties (continued)
Further judgement is required when a spot valuation is applied where the property value derived purely from a multiple applied to the fair maintainable trade misrepresents the underlying asset value with consideration given to the level of trade and location characteristics.

Significant accounting estimates

Revaluation of freehold and long leasehold properties
The application of the valuation methodology requires two significant estimates; the estimation of valuation multiples, which are determined via third-party inspections; and an estimate of fair maintainable trade, consisting of estimates of both fair maintainable turnover (FMT) and fair maintainable operating profit (FMOP).

Adjustments have been made to pub and restaurant trading margins to reflect the margin impacts of recent cost inflation which are expected to persist into the level of FMOP used by third-party, reasonably efficient operators in arriving at a transaction price. The impact of inflation across drink and food, labour, energy and other pub operating costs in the current period compared to pre Covid has been assessed and adjusted individually. In aggregate approximately 2.5% of the total margin reduction reported in the current period against pre Covid trade is expected to recover in the short to medium term and has been included in estimated fair maintainable trade.

The estimation of valuation multiples is derived from the valuers knowledge of market evidence of transaction prices for similar properties. In the current period the multiples adopted reflect a slight easing of demand for freehold property caused by the lower profit margins in the sector.

There is considered to be a significant risk that an adjustment to either of these assumptions could lead to a material change in the property valuation within the next year.

The carrying value of properties to which these estimates apply is £3,933m (2022 £4,036m).

Sensitivity analysis
Changes in the fair maintainable trade, or the multiple could materially impact the valuation of the freehold and long leasehold properties, and as such they are both considered to be significant estimates in the current period.

Fair maintainable trade
In the current period, fair maintainable trade has declined by 4% as a result of changes in trade and the impact of the FMOP margin adjustment excluding the sites with investment in the current period which are only assessed for impairment. Judgement has been applied to determine the adjusted FMOP by assessing the extent that current levels of inflation are considered to be impacting on freehold licensed property values. As a result, the valuation is sensitive to the view taken on the duration of the impact of high inflation on fair maintainable trade. Should the FMOP margins fall to the levels reported through the reporting period the fair maintainable trade used as the basis in property valuations may decline by a further 6%. Assuming multiples remain stable, and without applying any further judgement on the resulting property valuation, this would generate an approximate £188m reduction in the valuation.

Multiples
Valuation multiples are determined at an individual brand level. Over the last three financial periods, the weighted average brand multiple has moved by an average of 0.2, which is considered to be within the range of reasonably possible outcomes for future movements in multiples. It is estimated that a 0.2 change in the multiple would generate an approximate £78m movement in valuation.

Impairment review
Short leasehold and unlicensed properties (comprising land, buildings, fixtures, fittings and equipment) which are not revalued to fair market value, are reviewed for impairment as described in the impairment note 9. A net impairment of £6m (2022 £9m) has been recognised against short leasehold and unlicensed properties in the period.

8. Leases

Right-of-use assets

Right-of-use assets can be analysed as follows:

	2023 £m	2022 £m
At beginning of period	339	379
Acquired through business combinations (note 14)	6	-
Additions	36	26
Impairment	(14)	(22)
Disposals	(2)	(9)
Depreciation provided during the period	(36)	(36)
Foreign currency movements	(2)	1
At end of period	327	339

Impairment review of right-of-use assets
Right-of-use assets are reviewed for impairment by comparing site recoverable amounts to their carrying values. Impairment is considered at a cash-generating unit level. A net impairment of £14m (2022 £22m) has been recognised against right-of-use assets in the period. Details of the impairment review at a cash-generating unit level are disclosed in note 9.

Lease liabilities

	2023 £m	2022 £m
Analysed as:		
Current lease liabilities – principal amounts due within twelve months	33	53
Non-current lease liabilities – principal amounts due after twelve months	430	428
	463	481

9. Impairment

Accounting policies

Impairment - Property, plant and equipment, right-of-use assets and goodwill
Impairment reviews are considered at a cash-generating unit level, with this being an individual outlet.

The carrying value of assets for an individual outlet, comprise the property, plant and equipment value, the associated right-of-use asset and any attributable goodwill. At each balance sheet date, the Group assesses whether there is any indication that the carrying value of assets for individual outlets may be impaired. If any such impairment indicator exists then an impairment loss is recognised whenever the carrying value of the outlet exceeds its recoverable amount, which is determined as the higher of the value in use, or fair value less costs to sell for each outlet. Any resulting impairment relates to sites with poor trading performance, where the output of the value in use calculations are insufficient to justify their current net book value. Changes in outlet earnings or cash flows, the discount rate applied to those cash flows, or the estimate of fair value less costs of disposal could give rise to an additional impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in the income statement. An impairment reversal is only recognised where there is a change in circumstances or favourable events since the last impairment test impacting estimates used to determine recoverable amounts, not where it results from the passage of time.

In addition to the cash-generating unit level impairment review performed for individual outlets, the overall Group's cash-generating units are grouped together to ensure that the corporate level assets are also considered for impairment.

9. Impairment (continued)

Accounting judgements

Impairment review of cash-generating units - property, plant and equipment, right-of-use assets and goodwill
For the individual outlet level impairment review, judgement has been applied to determine the most appropriate site level profit and cash flow forecasts based on the Group forecast for FY 2024 to FY 2026 that was in place at the balance sheet date.

Management apply judgement when allocating overhead costs to site cash flows, with an overhead allocation being made only for those costs that can be directly attributable to a site on a consistent basis.

Other sources of estimation uncertainty

Impairment review of cash-generating units - property, plant and equipment, right-of-use assets and goodwill
The impairment review requires two key sources of estimation uncertainty in calculating the value in use: the estimation of forecast cash flows for each site and the selection of an appropriate discount rate. The discount rate is applied consistently to each cash-generating unit.

The carrying value of assets to which these estimates apply is £442m (2022 £458m).

Impairment review of cash-generating units, comprising property, plant and equipment, right-of-use assets and goodwill
Recoverable amount is determined as the higher of the value in use, or fair value less costs to sell for each outlet.

Value in use calculations use forecast trading performance pre-tax cash flows, for years 1 to 3. These include steady growth in revenue and a gradual recovery in operating margins as annual cost inflation eases, albeit that costs remain ahead of historical levels. In the short to medium term, over the three year forecast period, no allowances have been made for any potential impact activity related to climate change, as the impacts of this on future cash flows or capital expenditure cannot yet be reasonably estimated or allocated to cash-generating units.

The forecast cash flows are discounted by applying a pre-tax discount rate of 11.00% (2022 9.65%) and a long-term growth rate of 2.0% from year 4 (2022 2.0%). The long-term growth rate is applied to the net cash flows and is based on up-to-date economic data points.

In summary, the carrying value of the cash-generating units and impairment charges and reversals recognised against those cash-generating units is as follows.

	Note	Carrying value 2023 £m	Impairment charges 2023 £m	Impairment reversals 2023 £m	Net impairment 2023 £m
Short leasehold properties	7	113	(11)	5	(6)
Right-of-use assets	8	327	(27)	13	(14)
Goodwill		2	(1)	-	(1)
		442	(39)	18	(21)

	Note	Carrying value 2022 £m	Impairment charges 2022 £m	Impairment reversals 2022 £m	Net impairment 2022 £m
Short leasehold properties	7	117	(9)	-	(9)
Right-of-use assets	8	339	(22)	-	(22)
Goodwill		2	-	-	-
		458	(31)	-	(31)

9. Impairment (continued)

Impairment review of corporate level assets
In addition to the cash-generating unit level impairment review performed, the overall Group's cash-generating units have been grouped together to ensure that the corporate level assets are also considered for impairment. The assumptions are consistent with those described above for the value in use calculations performed at an individual outlet level, whilst also including unallocated central overheads. As a result of this review, no impairment of corporate assets has been recognised in the current period (2022 £nil) and the Directors consider that it is not a reasonable expectation that a material impairment could occur in FY 2024 (2022 same expectation for FY 2023).

Sensitivity analysis
Changes in forecast cash flows or the discount rate could impact the impairment charge recognised against the cash-generating units, and corporate level assets.

Forecast cash flows
The forecast pre-tax cash flows used in the value in use calculations are site level forecasts determined from the Group forecast for FY 2024 to FY 2026 that was in place at the balance sheet date. Should future cash flows decline by 5%, this would result in an increase of £8m to the net impairment charge recognised.

Discount rate
The pre-tax discount rate applied to the forecast cash flows is derived from the Group's post-tax weighted average cost of capital (WACC). The assumptions used in the calculation of the Group's WACC are benchmarked to externally available data. A single discount rate is applied to all cash-generating units. Over recent periods, the discount rate used in impairment reviews has moved by c.1.0%. An increase of 1.0% in the discount rate would result in an increase of £5m to the net impairment charge recognised.

10. Borrowings and net debt

Borrowings can be analysed as follows:

	2023 £m	2022 £m
Current		
Securitised debt[a]	123	113
Unsecured revolving credit facilities[b]	(2)	-
Overdrafts[c]	23	17
Total current	144	130
Non-current		
Securitised debt[a]	1,186	1,334
Total borrowings	1,330	1,464

a. Stated net of deferred issue costs.
b. At 30 September 2023 the amount of £2m (2022 £nil) represents unamortised issue costs.
c. The overdraft is within a cash pooling arrangement. In the cash flow statement, cash and cash equivalents are presented net of this overdraft.

	2023 £m	2022 £m
Analysis by year of repayment		
Due within one year or on demand	144	130
Due between one and two years	164	182
Due between two and five years	435	412
Due after five years	587	740
Total borrowings	1,330	1,464

10. Borrowings and net debt (continued)

Securitisation

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. There are two main financial covenants, being the level of net assets and free cash flow (FCF) to debt service. FCF to debt service represents the multiple of cash generated by sites within the structure to the cost of debt service. This is tested quarterly on both a trailing two quarter and a four quarter basis. There are additional covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other Group companies. Further details of the covenants are provided in the going concern review in note 1.

Unsecured revolving credit facilities

In the prior period, the Group held a single unsecured committed revolving credit facility of £150m. During the period, the unsecured committed revolving credit facility of £150m was cancelled and replaced by a new unsecured committed revolving credit facility of £200m, which expires on 20 July 2026. The amount drawn at 30 September 2023 is £nil (2022 £nil).

There are covenants on the unsecured revolving credit facilities relating to the ratio of EBITDAR to rent plus interest and net debt to EBITDA based on the performance of the unsecured estate. Further details of the covenants are provided in the going concern review in note 1.

Net debt	2023 £m	2022 £m
Cash and cash equivalents	126	207
Overdraft	(23)	(17)
Cash and cash equivalents as presented in the cash flow statement[a]	103	190
Securitised debt	(1,309)	(1,447)
Unsecured revolving credit facility	2	-
Derivatives hedging securitised debt[b]	34	59
Net debt excluding leases	(1,170)	(1,198)
Lease liabilities	(463)	(481)
Net debt including leases	(1,633)	(1,679)

a. Cash and cash equivalents, in the cash flow statement, are presented net of an overdraft within a cash pooling arrangement relating to various entities across the Group.

b. Represents the element of the fair value of currency swaps hedging the balance sheet value of the Group's US$ denominated A3N loan notes. This amount is disclosed separately to remove the impact of exchange movements which are included in the securitised debt amount.

10. Borrowings and net debt (continued)

Movement in net debt excluding leases	2023 53 weeks £m	2022 52 weeks £m
Net decrease in cash and cash equivalents	(86)	(39)
Add back cash flows in respect of other components of net debt:		
Principal repayments on securitised debt	121	115
Principal receipts on cross currency swap	(21)	(20)
Principal payments on cross currency swap	16	15
Decrease in net debt arising from cash flows	30	71
Movement in capitalised debt issue costs net of accrued interest	(1)	(1)
Decrease in net debt excluding leases	29	70
Opening net debt excluding leases	(1,198)	(1,270)
Foreign exchange movements on cash	(1)	2
Closing net debt excluding leases	(1,170)	(1,198)

Movement in lease liabilities:

	2023 53 weeks £m	2022 52 weeks £m
Opening lease liabilities	(481)	(513)
Acquired through business combinations (note 14)	(5)	-
Additions[a]	(35)	(25)
Interest charged during the period	(16)	(16)
Repayment of principal	53	48
Payment of interest	16	16
Disposals	4	11
Foreign currency movements	1	(2)
Closing lease liabilities	(463)	(481)

a. Additions to lease liabilities include new leases and lease extensions or rent reviews relating to existing leases.

11. Finance costs and income

	2023 53 weeks £m	2022 52 weeks £m
Finance costs		
Interest on securitised debt	(89)	(94)
Interest on other borrowings	(11)	(5)
Interest on lease liabilities	(16)	(16)
Total finance costs	(116)	(115)
Finance income		
Interest receivable – cash	8	1
Net pensions finance charge (note 12)	(3)	(2)

12. Pensions

Measurement of scheme assets and liabilities

MABPP – buy-in policy transaction
During the current period, the Trustees of the MABPP entered a Bulk Purchase Agreement (BPA) with Standard Life. The resulting policies have been set up to provide the plan with sufficient funding to cover the majority of known member benefits of the scheme, leaving c. £27m of uninsured benefits which the Trustees will meet using the remaining Plan assets..

The difference between the buy-in purchase price and the defined benefit obligation covered by the policies has been accounted for in other comprehensive income. The accounting treatment has been based on the following considerations made by the Company:

- the employer is not relieved of primary responsibility for the obligation. The policy simply covers the benefit payments that continue to be payable by the scheme;
- the contract is effectively an investment of the scheme; and
- the contract provides the option to convert the annuity into individual policies, which would transfer the obligation to the insurer (known as a "buy-out"). Whilst this course of action may be considered in future, this is not a requirement and a separate decision will be required before any buy-out proceeds. The Company has not yet made a decision to move to buy-out.

MABEPP – buy-in policy transaction
During the prior period, the Trustees of the MABEPP entered a Bulk Purchase Agreement (BPA) with Legal and General Assurance Society Limited. The resulting policy was set up to provide the plan with sufficient funding to cover all known member benefits of the scheme.

The difference between the buy-in purchase price and the defined benefit obligation covered by the policy was accounted for in other comprehensive income. The accounting treatment was based on the following considerations made by the Company:

- the employer is not relieved of primary responsibility for the obligation. The policy simply covers the benefit payments that continue to be payable by the scheme;
- the contract is effectively an investment of the scheme; and
- the contract provides the option to convert the annuity into individual policies, which would transfer the obligation to the insurer (known as a "buy-out"). Whilst this course of action may be considered in future, this is not a requirement and a separate decision will be required before any buy-out proceeds. The Company had not made a decision, and has still not made a decision, to move to buy-out.

Actuarial valuation
The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the latest full actuarial valuation carried out as at 31 March 2022, which completed in December 2022, and updated by the schemes' independent qualified actuaries to 30 September 2023. Schemes' assets are stated at market value at 30 September 2023 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the schemes' liabilities are discounted using market yields at the end of the period on high-quality corporate bonds.

The principal financial assumptions have been updated to reflect changes in market conditions in the period and are as follows:

	Main plan 2023	Executive plan 2023	Main plan 2022	Executive plan 2022
Discount rate	5.7%	5.7%	5.3%	5.3%
Pensions increases – RPI max 5%	3.1%	3.1%	3.2%	3.2%
Inflation rate - RPI	3.3%	3.3%	3.5%	3.5%

The discount rate is based on a yield curve for AA corporate rated bonds which are consistent with the currency and estimated term of retirement benefit liabilities. To determine the RPI assumption the gilt implied inflation yield curve has been used, reflecting the duration of the Plan's cash flows, and adjusting for an assumed inflation risk premium.

12. Pensions (continued)

Minimum funding requirements
The results of the 2022 actuarial valuation, which was completed in December 2022, show a marginal surplus. As a result of the 2022 actuarial valuation, the Company subsequently agreed a revised schedule of contributions for both the MABPP and MABEPP schemes.

For the MABEPP, the agreement confirms that from December 2022, payments into the "Blocked Account" that commenced after completion of the buy-in transaction in the prior period have been suspended.

For the MABPP, there was no change to the remaining contributions due, which have been paid in full during the current period. However, all contributions since December 2022 have been made into a new "Blocked Account". As the scheme is in surplus, these payments are no longer considered a minimum funding requirement and therefore are not recognised as plan assets.

As a result, the Blocked Accounts for MABEPP and MABPP are recognised within non-current other receivables as recovery of these amounts is expected. The amount recognised as at 30 September 2023 is £47m (2022 is £9m).

In addition, under IFRIC 14, an additional liability is recognised to offset the actuarial surplus, due to the asset ceiling, as the Company does not have an unconditional right to a refund of the surplus.

As a result of the above changes, the resulting net pension liability as at 30 September 2023 of £22m relates solely to the MABETUS plan, with a total of £47m in "Blocked" accounts across the MABPP and MABEPP schemes, recognised in non-current other receivables.

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	2023 53 weeks £m	2022 52 weeks £m
Operating profit:		
Employer contributions (defined contribution plans)	(17)	(16)
Administrative costs (defined benefit plans)	(5)	(4)
Charge to operating profit	(22)	(20)
Finance costs:		
Net pensions finance income on actuarial surplus	14	8
Additional pensions finance charge due to asset ceiling/minimum funding	(17)	(10)
Net finance charge in respect of pensions	(3)	(2)
Total charge	(25)	(22)

Group statement of comprehensive income	2023 53 weeks £m	2022 52 weeks £m
Return on scheme assets and effects of changes in assumptions	(153)	(161)
Movement in pension liabilities recognised due to asset ceiling/minimum funding	195	202
Remeasurement of pension liabilities	42	41

12. Pensions (continued)

Group balance sheet	2023 £m	2022 £m
Fair value of schemes' assets	1,434	1,699
Present value of schemes' liabilities	(1,313)	(1,442)
Actuarial surplus in the schemes	121	257
Additional liabilities recognised due to asset ceiling/minimum funding	(143)	(321)
Total pension liabilities[a]	(22)	(64)
Associated deferred tax asset	5	14

The total pension liabilities of £22m (2022 £64m) is presented as a £1m current liability (2022 £42m) and a £21m non-current liability (2022 £22m).

The movement in the actuarial surplus in the period is as follows:

	2023 £m	2022 £m
Actuarial surplus at beginning of period	257	370
Interest income	14	8
Return on scheme assets and effects of changes in assumptions	(153)	(161)
Additional employer contributions	8	44
Administration costs	(5)	(4)
At end of period	121	257

13. Share capital and share premium

Called up share capital	2023 Number of shares	£m	2022 Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of $8^{13}/_{24}$p each				
At start of period	597,383,363	51	596,618,849	51
Share capital issued[a]	343,496	-	764,514	-
At end of period	597,726,859	51	597,383,363	51

a. During the period, the Company issued 343,496 (2022 764,514) shares at nominal value under share option schemes, for consideration of £29,340 (2022 £65,302).

All of the ordinary shares rank equally with respect to voting rights and rights to receive Ordinary and Special Dividends. There are no restrictions on the rights to transfer shares.

Dividends

There were no dividends declared or paid during the current period.

Share premium account

The share premium account represents amounts received in excess of the nominal value of shares on issue of new shares. Share premium of £nil (2022 £1m) has been recognised on shares issued in the period.

14. Acquisitions

In August 2018, the Group acquired 40% of the share capital of 3Sixty Restaurants Limited for £4m, together with a put and call option that would enable the Group to purchase the remaining 60% share capital at a future date. On 18 April 2023, the Group exercised the call option, resulting in the acquisition of the remaining 60% of share capital of 3Sixty Restaurants Limited, for £17m, with the purchase completing on 18 June 2023. The date of the option exercise, 18 April 2023, is considered to be the date at which control passed to the Group, and therefore consolidation has taken place from that date.

At acquisition, the carrying value of the investment in 3Sixty Restaurants Limited of £7m was revised to fair value of £12m, with a gain of £5m recognised as a separately disclosed item within the income statement (see note 3).

In addition, the pre-existing property leases that existed between the Group and 3Sixty Restaurants Limited have been treated as settled at the acquisition date, with a resulting £3m loss recognised as a separately disclosed item within the income statement (see note 3).

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition were as follows.

	Fair value on acquisition £m
Land and buildings	26
Fixtures, fittings and equipment	3
Right-of-use assets	6
Brand intangible	5
Cash and cash equivalents	5
Trade and other receivables	1
Trade and other payables	(8)
Lease liabilities	(5)
Deferred tax liability	(8)
Net identifiable assets of 3Sixty Restaurants Limited	25
Goodwill	1
Fair value of assets and liabilities	26
Consideration:	
Cash consideration for purchase of the remaining 60% interest	17
Less: cash and cash equivalents acquired	(5)
Net cash outflow on acquisition	12
Plus: Fair value of the existing 40% interest at acquisition	12
Less: settlement of pre-existing contracts	(3)
Net consideration	21

Goodwill of £1m has arisen on the acquisition of 3Sixty Restaurants Limited primarily through the benefits that will be gained from cost synergies that will be obtained on joining the Group and future conversions of other Group outlets.

The brand intangible has been fair valued by reference to an estimated royalty income based on forecast cash flows for 3Sixty Restaurants Limited over the expected useful life of 20 years.

Acquisition costs, relating to restructuring costs, integration and legal and professional fees, amounted to £1m and have been charged to the income statement and recognised within separately disclosed items during the period (see note 3).

3Sixty Restaurants Limited has contributed £18m to revenue and £1m to the Group's operating profit for the period between acquisition date and the balance sheet date. If 3Sixty Restaurants Limited had been included as a subsidiary since the start of the financial period, it would have contributed £45m revenue and £3m to the Group's operating profit.

15. Financial statements

The preliminary statement of results was approved by the Board of Directors on 29 November 2023. It does not constitute the Group's statutory consolidated financial statements for the 53 weeks ended 30 September 2023 or for the 52 weeks ended 24 September 2022. The financial information is derived from the statutory consolidated financial statements of the Group for the 53 weeks ended 30 September 2023.

Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting.

The financial information for the 52 weeks ended 24 September 2022 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified and did not contain a statement under s498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

The statutory financial statements for the 53 weeks ended 30 September 2023 will be filed with the Registrar of Companies following the 2023 Annual General Meeting. The report of the auditor was unqualified and did not contain a statement under s498(2) or (3) of the Companies Act 2006. Further detail is provided with the Outlook assessment and notes to these preliminary statement of results.

Alternative Performance Measures

The performance of the Group is assessed using a number of Alternative Performance Measures (APMs).

The Group's results are presented both before and after separately disclosed items. Adjusted profit measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports an effective comparison of the Group's trading performance from one period to the next. Adjusted profit measures are reconciled to unadjusted IFRS results on the face of the income statement with details of separately disclosed items provided in note 3.

The Group's results are also described using other measures that are not defined under IFRS and are therefore considered to be APMs. These APMs are used by management to monitor business performance against both shorter term budgets and forecasts but also against the Group's longer-term strategic plans.

As FY 2023 is a 53-week period, in order to aid comparability with prior years we have provided a 52-week result. The 52-week result is derived by removing the 53rd week of the financial year. FY 2022 was a 52-week year.

APMs used to explain and monitor Group performance include:

APM	Definition	Source
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group income statement
Adjusted EBITDA	EBITDA before separately disclosed items is used to calculate net debt to EBITDA.	Group income statement
52-week Adjusted EBITDA	EBITDA on a 52-week basis, adjusted to remove the 53rd week of the period, before separately disclosed items is used to calculate net debt to EBITDA.	APM D
Operating profit	Earnings before interest and tax.	Group income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group income statement
52-week adjusted operating profit	Operating profit before separately disclosed items adjusted to remove the 53rd week of the period.	APM B
52-week revenue	Revenue adjusted to remove the 53rd week of the year.	APM B
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	APM A
52-week like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal. Adjusted to remove 53rd week of the period.	APM A
Like-for-like sales excluding VAT benefit	Like-for-like sales excluding VAT benefit reflects like-for-like sales growth excluding the benefit of the temporary reduction in the rate of VAT on food and non-alcoholic drink sales to 12.5% in the first half of FY 2022.	APM A
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 6
52- week adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items adjusted for 53rd week of period.	APM C
Net debt	Net debt comprises cash and cash equivalents, cash deposits net of borrowings and discounted lease liabilities. Presented on a constant currency basis due to the inclusion of the fixed exchange rate component of the cross currency swap.	Note 10
Net debt : Adjusted EBITDA	The multiple of net debt including lease liabilities, as per the balance sheet compared against 52-week EBITDA before separately disclosed items, which is a widely used leverage measure in the industry.	APM D
Net debt : Adjusted 52-week EBITDA	The multiple of net debt including lease liabilities, as per the balance sheet compared against 52-week EBITDA before separately disclosed items, which is a widely used leverage measure in the industry. Adjusted for 53rd week of the period.	APM D

FY 2023 52-week reconciliation	A 53-week accounting period occurs every five years. FY 2023 was a 53-week period and therefore presentation of a 52-week basis provides useful comparability to previous financial years	APM E
Return on capital	Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Return on investment is measured for four years following investment. Measurement commences three periods following the opening of the site.	APM F

A. Like-for-like sales

The sales this year compared to the sales in the previous year of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals. Like-for-like sales is provided on a 52-week basis.

	Source	**2023** **£m**	2022 £m	**Year-on-year** **%**
Reported revenue	Income statement	**2,503**	2,208	**13.4%**
Adjust for 53rd week	APM E	**(44)**	-	-
Less 52-week non like-for-like sales and income		**(311)**	(239)	**30.1%**
52-week like-for-like sales		**2,148**	1,969	**9.1%**
Less like-for-like sales VAT benefit		-	(39)	-
52-week like-for-like sales basis excl. VAT benefit		**2,148**	**1930**	**11.3%**

Drink sales

	Source	**2023** **£m**	2022 £m	**Year-on-year** **%**
Reported drink revenue		**1,092**	957	**14.1%**
Adjust for 53rd week		**(20)**	-	-
Less 52-week non like-for-like drink sales		**(117)**	(88)	**33.0%**
52-week drink like-for-like sales		**955**	869	**9.9%**

Food sales

	Source	**2023** **£m**	2022 £m	**Year-on-year** **%**
Reported food revenue		**1,323**	1,166	**13.5%**
Adjust for 53rd week		**(23)**	-	-
Less 52-week non like-for-like food sales		**(171)**	(126)	**35.7%**
52-week food like-for-like sales		**1,129**	1,040	**8.6%**

Other sales

	Source	**2023** **£m**	2022 £m	**Year-on-year** **%**
Reported other revenue		**87.8**	85.2	**3.3%**
Adjust for 53rd week		**(1.5)**	-	-
Less non like-for-like other sales		**(41.6)**	(41.8)	**0.5%**
52 week other like-for-like sales		**44.7**	43.4	**3.0%**

B. Adjusted operating profit

Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately identified by virtue of their size or nature. Excluding these items allows a more effective comparison of the Group's trading performance from one period to the next.

	Source	**2023** £m	2022 £m	**Year-on -year %**
Operating profit	Income statement	**98**	124	**(21.0)%**
Separately disclosed items	Income statement	**128**	116	**10.3%**
Adjusted operating profit	Income statement	**226**	240	**(5.8)%**
Adjusted operating profit 53rd week	APM E	**(5)**	-	-
52-week adjusted operating profit		**221**	240	**(7.9)%**
Reported revenue	Income statement	**2,503**	2,208	**13.4%**
Revenue 53rd week	APM E	**(44)**	-	-
52-week revenue		**2,459**	2,208	**11.4%**
52-week adjusted operating margin		**9.0%**	10.9%	**(1.9)ppts**

C. Adjusted earnings per share

Earnings per share using profit before separately disclosed items. Separately disclosed items are those which are separately identified by virtue of their size or nature. Excluding these items allows a more effective comparison of the Group's trading performance from one period to the next.

	Source	**2023** £m	2022 £m	**Year-on -year %**
Profit/(loss) for the period	Income statement	**(4)**	13	**(130.8)%**
Add back separately disclosed items	Income statement	**100**	94	**6.4%**
Adjusted profit		**96**	107	**(10.3)%**
Adjusted profit 53rd week		**(3)**	-	
52-week adjusted profit		**93**	107	**(13.1%)**
Basic weighted average number of shares	Note 6	**595**	595	**-%**
Adjusted earnings per share		**16.1p**	-	-
52-week adjusted earnings per share		**15.6p**	18.0p	**(13.3)%**

D. Net Debt: 52-week adjusted EBITDA

The multiple of net debt as per the balance sheet compared against 52-week EBITDA before separately disclosed items which is a widely used leverage measure in the industry. From FY 2020, leases are included in net debt following adoption of IFRS16. Adjusted 52-week EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

	Source	**2023** £m	2022 £m	**Year-on -year %**
Net Debt including leases	Note 10	**1,633**	1,679	**(2.7)%**
EBITDA	Income statement	**362**	374	**(3.2)%**
Add back separately disclosed items	Income statement	**(3)**	(1)	**(200)%**
EBITDA 53rd week	APM E	**(7)**	-	**-**
Adjusted 52-week EBITDA		**352**	373	**(5.6)%**
Net debt : Adjusted 52-week EBITDA		**4.6**	4.5	**2.2%**

E. FY 2023 52-week reconciliation

A 53-week accounting period occurs every five years. FY 2023 was a 53-week period and therefore presentation of a 52-week basis provides useful comparability to previous financial years.

	Source	2023 52 weeks	2023 Week 53	2023 53 weeks
Revenue	Income statement	£2,459m	£44m	£2,503m
Adjusted EBITDA	Income statement	£352m	£7m	£359m
Adjusted operating profit	Income statement	£221m	£5m	£226m
Adjusted PBT	Income statement	£112m	£3m	£115m
Adjusted profit for the period	Income statement	£93m	£3m	£96m
Adjusted EPS	Income statement	15.6p	0.5p	16.1p

F. Return on capital

Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Return on investment is measured for four years following investment. Measurement of return commences three periods following the opening of the site.

Return on expansionary capital

	Source	2022 FY19-22 £m	2023 FY20-22 £m	2023 FY23 £m	**2023** Total £m
Maintenance and infrastructure		151	91	67	**158**
Remodel - refurbishment		188	123	65	**188**
Non-expansionary capital		339	214	132	**346**
Remodel expansionary		9	5	4	**9**
Conversions and acquisitions*		30	14	11	**25**
Expansionary capital for return calculation		39	19	15	34
Expansionary capital open < 3 periods pre year end		37	30	10	**40**
Total capital 52-week	Cash flow	415	263	157	**420**
Adjusted 52-week EBITDA	Income statement	1,230	794	352	**1,146**
Non-incremental EBITDA		1,223	790	350	**1,140**
Incremental EBITDA		7	4.3	1.9	**6.2**
Return on expansionary capital		18%	22%	13%	**18.5%**

*Conversion and acquisition capital is net of capex incurred for projects which have been open for less than 3 periods pre year end