29 November 2007

MITCHELLS & BUTLERS PLC

PRELIMINARY RESULTS
(For the year ended 29 September 2007)

FINANCIAL HIGHLIGHTS

	FY2007 £m	FY2006 £m	% growth
Revenue	1,894	1,720	10.1
EBITDA*	472	430	9.8
Operating Profit*	343	309	11.0
Profit before tax*	207	208	(0.5)
Earnings per share before exceptionals	35.5p	29.3p	21.2
Earnings per share after exceptionals**	(2.5)p	39.7p	n/a
Dividends	14.25p	12.25p	16.3

* EBITDA, operating profit and profit before tax are all stated before exceptional items
** Exceptional items after tax were £(155)m, 2006 £51m

BUSINESS HIGHLIGHTS

- Continued good sales growth: same outlet like-for-like sales up 3.0% for the year
- Strong market share gains: same outlet food sales up 5.1%, drink up 2.2%
- Average weekly sales per managed pub up 6% to £18.5k
- Net Retail margin at 17.9% versus 18.0% last year despite £8m of additional regulatory costs and £14m of closure and pre-opening costs
- Majority of Acquired Sites* converted with sales uplifts of c.20%
- Property revaluation uplift of £1.1bn recognised in balance sheet
- Committed to unlocking property value for shareholders: hedges retained with mark-to-market deficit of £155m post tax as at year end date
- Final dividend increase of 16.3%

* The “Acquired Sites” are the pub restaurant sites purchased from Whitbread plc in July 2006

Commenting on the results, Tim Clarke, Chief Executive said:

"Mitchells & Butlers has delivered another strong trading performance. We extended our leadership of the eating-out market, serving 107 million meals and made sizeable drinks market share gains. Our focus on amenity, service and value has positioned us well to deliver further out-performance against the market through the first year of the smoking ban and more challenging market conditions.

We remain committed to unlocking the value of the estate for shareholders."

Dividends

The Directors are recommending a final dividend of 10.0 pence per share taking the total dividend for the year to 14.25 pence, an increase of 16.3% on last year. Subject to approval at the AGM on 31 January 2008, the final dividend will be paid on 4 February to shareholders on the register on 7 December 2007.

Current Trading

Current trading has been resilient with same outlet like-for-like sales growing by 1.4% in the seven weeks to 17 November. Trading in the three weeks to 17 November has shown a material improvement on October with same outlet like-for-like sales up 2.4% following the launch of our new winter menus. This sales growth has been generated against the background of the start of the first winter period of the smoking ban in England and Wales, a continuing volume decline in the on-trade beer market in October of approximately 8% and a more uncertain consumer environment.

7 weeks ended 17 November 2007	Same outlet like-for-like sales growth	Uninvested like-for-like sales growth
Residential	1.3%	(1.0%)
High Street	2.5%	1.9%
Total	1.4%	(0.5%)

Note: These results include the Acquired Sites

Within the Residential estate, Local Pubs have traded well, with same outlet like-for-like sales growth of 3.3%, reflecting large drinks market share gains, continued strong food sales growth and the benefit of the Rugby World Cup. The Rugby tournament however, had a negative impact on our Pub Restaurants where like-for-like sales have been marginally positive overall, although they were up 2.6% in the last three weeks following the launch of the new menus with their enhanced quality and value.

These new menus are part of a carefully trialled and targeted margin investment programme that we have started to implement within Pub Restaurants to drive profitable volume growth in response to a slowing in performance towards the end of last year, particularly in the Vintage Inns format. The initial customer response to these new menus is very encouraging.

In the High Street, which accounts for 25% of sales, the successful evolution of our formats has generated like-for-like sales ahead by 2.5%, with strong growth in food sales. Trading in Central London has remained buoyant.

Trends following the smoking ban in England are currently broadly in line with those seen in the first year of the ban in Scotland where there was a slowing of overall sales in the winter months. In the 20 weeks since the introduction of the smoking ban in England, same outlet like-for-like sales for our English pubs excluding those previously converted to non-smoking, increased by 1.5%, with food sales up 5.0% and drinks sales marginally up. In the last seven weeks these pubs grew by 0.7% on a same outlet basis. We continue to be encouraged by the improvement in same outlet like-for-like sales this year within our Scottish pubs, up 6.7%, partly helped by the recent Euro 2008 football, and we believe that the overall impact of the ban will be beneficial over time to larger, well invested pubs with an attractive food offer.

Progress on the Acquired Sites

The Acquired Sites conversion programme remains on track with 172 pubs now converted to our brands and formats. Average weekly sales uplifts on the converted sites are running at approximately 20% above the levels at which the pubs were acquired and we remain confident in delivering the year three target of 30% sales uplifts in the 2009 financial year.

Value Release from Property Estate

The Board continues to investigate options for capturing the value of the property estate for shareholders on a sustainable basis.

Whilst its focus has been on the establishment of a property joint venture, this has been impacted, for now, by the disruption in the debt markets. Alternative property based refinancing structures remain under consideration. In this context, the Board has received a proposal from R20 in respect of a demerged REIT structure, the attractiveness and feasibility of which we are now exploring with R20. The proposal includes R20 procuring a fixed price underwriting in the region of 25% of a wholly demerged REIT, which would offer shareholders the option to realise part of their investment in the property company for cash. The key issues under review are the details of the underwriting, the ability to reorganise the debt and the implications for pensions, tax and legal structure. Additionally, a REIT structure would have to meet the Board's requirement for an appropriate balance to optimise the value of both demerged companies as independent entities.

The Board is giving serious consideration to this proposal and will continue to review alternative structures that would demonstrably create value from the property whilst providing an attractive long term business model for the operating company.

Property Revaluation

Given the continued focus on the value of our estate, we have completed a revaluation of our fixed assets based on an updated valuation by our property valuers, Colliers CRE, of our freehold and long leasehold properties as at 29 September 2007. For accounting purposes, this valuation represents the aggregate value of each individual pub, rather than a portfolio approach, based primarily on the trading cash flows. The revised value of the properties at £5.0bn represents a net increase of £1.1bn compared with the historical accounting basis. We will continue to revalue our properties each year on a rolling basis.

The accounting valuation of the property is consistent with the existing structure of the Group. However, based on advice received from Colliers CRE, all of the freehold and long leasehold properties within an OpCo/PropCo structure would support a market rent of £280m and a rental yield of 5.8%, with an indicative valuation of £4.8bn for the PropCo, before any allowance for purchaser’s costs, based on a 35 year, RPI inflating lease. This valuation approach relates only to the rent from the freehold and long leasehold pubs and therefore excludes the cash flows received by the operating company from these pubs, as well as other company cash flows including those from existing short leasehold pubs. Based on the year ended 29 September 2007, this would equate to approximately £200m of underlying EBITDA.

Hedges

At the year end the post tax mark-to-market deficit on the hedges taken out in connection with the planned R20 joint venture transaction in the summer was £155m. Although this does not represent a cash cost in the year, the deficit has been treated as an exceptional cost in the accounts. Due to continuing turbulence in the debt markets, the latest post-tax mark-to-market deficit on the hedges currently stands at approximately £180m. The hedges have been retained as the Board remains committed to a property-based refinancing which would utilise them, once debt markets have recovered.

Pensions

The pension schemes showed a deficit of £18m, as at 29 September 2007 on an IAS 19 valuation basis, including updated assumptions on life expectancy.

The full actuarial review undertaken in the year is currently being finalised based on the value of the schemes as at 31 March 2007. The actuarial valuation adopts a more conservative basis of discounting the liabilities than is required by IAS 19 and the preliminary result shows a deficit of approximately £250m. In line with the new pensions regulations, the Company is finalising with the Pensions Trustees a formal recovery plan to close this deficit by 2017. As part of this plan, in addition to the ordinary annual service contributions, it is expected that further contributions of £24m will be made in each of the next three years. The contribution for the year ending 30 September 2008 will include the payment of £20m previously committed at the time of the Special Dividend in October 2006. The level of additional contributions will be subject to review during the next actuarial valuation as at 31 March 2010.

Responsible Retailing

Intensive management activity and time goes into the training of all our staff to ensure that Mitchells & Butlers' pubs are responsibly operated, well supervised and safe premises for the consumption of alcohol, as well as food and other drinks.

For instance, we turn away some 50,000 young people a month from our pubs for failing satisfactorily to prove their age, to ensure that we do not serve under age drinkers. Our staff are also trained and supported in refusing to serve customers who are intoxicated. Similarly, we have continued to support fully the industry's self regulatory code to avoid any forms of irresponsible promotion of alcohol.

We have also supported the establishment of The Drinkaware Trust with a wide range of other stakeholders, focused on promoting a more responsible attitude to drinking across society as a whole. We are determined to ensure that Mitchells & Butlers' pubs are operated in a way that fully justifies the grant of a licence for the responsible retailing of alcohol. In that regard we were pleased for the second time to be recognised by the Morning Advertiser as this year's most responsible drinks retailer in the managed pubs category.

We also believe that the retailing of alcohol, where it is subsequently consumed in an unregulated environment, has similar social responsibilities. Against this background we question whether the promotional policies and pricing of alcohol at very cheap levels, sometimes below cost, by the supermarkets and other parts of the off-trade, are compatible with those responsibilities.

All commercial retailers of alcohol need to recognise a joint responsibility for countering the anti-social behaviour and health problems associated with its excessive consumption.

Outlook

The outlook for consumer spending remains uncertain and the first winter of the English smoking ban will be challenging, although the evidence from Scotland reinforces our belief that the ban will prove beneficial to the business in the longer term.

Mitchells & Butlers has a strong competitive position derived from the quality of its estate, its leadership position in the eating out market, and the consumer appeal and value for money positioning of its formats.

Our out-performance against a challenged on-trade drinks market has widened and we are well placed to make further market share gains in the year ahead. Margin reinvestment in the quality and value of our food offers is being actively pursued with encouraging initial results, to generate profitable volume gains. This, alongside further organisational cost efficiencies, will help to mitigate the additional regulatory costs of £12m and upward pressures on food costs. Not withstanding an expected £4m of pre-opening and closure costs in the first half, the benefits from the conversion of the Acquired Sites will start to be more fully reflected in the current year. As a result, we anticipate a resilient performance amidst more challenging market conditions.

There will be a presentation for analysts and investors at 9.30am at the Merrill Lynch Financial Centre, 2 King Edward St, London EC1. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone by dialling in 0845 245 5000 or from outside the UK +44(0) 1452 562 716, the replay will be available until 07/12/07 on 0845 245 5205 or from outside the UK +44 (0) 1452 550 000 passcode 25010379#.

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Notes for editors:

- Mitchells & Butlers owns and operates around 2,000 high quality pubs in prime locations nationwide. The Group's predominantly freehold, managed estate is biased towards large pubs in residential locations. With around 3% of the pubs in the UK, Mitchells & Butlers has 10% of industry sales and average weekly sales per pub over three times greater than that of the average UK pub.
- Mitchells & Butlers' leading portfolio of brands and formats includes Ember Inns, Harvester, Sizzling Pub Co., Toby Carvery, Vintage Inns, All Bar One, O'Neill's, Nicholson's and Browns. In addition, Mitchells & Butlers operates a large number of individual city centre and residential pubs.
- Same outlet like-for-like sales include the sales performance for the comparable period in the prior year of all managed pubs that were trading for the two periods being compared. For the seven weeks to 17 November 92% of the estate is included in this measure.
- Uninvested like-for-like sales include the sales performance for the comparable period in the prior year of those managed pubs that have not received expansionary investment of more than £30,000 in the two periods being compared. For the seven weeks to 17 November 82% of the estate is included in this measure.

MITCHELLS & BUTLERS STRATEGY FOR GROWTH

The results achieved this year reflect our leadership position in the growing eating-out market and further significant drinks market share gains. Our average weekly sales per pub are up 6% to £18.5k and operating profit has increased by 11% to £343m. We have generated this performance through the successful implementation of our sales strategy, which is to:

Lead the value for money casual dining market

We have continued to capitalise on the growth in informal, value for money, eating out with same outlet like-for-like food volumes increasing by 6% in the year against a pub food market up 3%. We are now selling in total 107m meals a year. Our total food sales, including the benefits of the Acquired Sites, grew by 22% in the year. This has been achieved through a constant focus on quality and value to the customer and we will continue to reinvest margin into our menu offers to generate further profitable volume growth.

The key to generating profitable food growth is responding to customers' high sensitivity to perceptions of value. This is reflected in both high consumer price elasticities and rising menu quality expectations.

Our business model is focused on attracting incremental food volumes which in turn generates high margin drinks sales. With low additional employment costs, the gross profit generated has a high drop through to operating margin.

As a result of this trading strategy, across the estate as a whole, average weekly food sales rose by 12%, while the average number of meals served grew by 15% as the mix moved strongly towards the value segment. Thus, although like-for-like food prices rose 1.6%, the average retail price of food served fell by 0.8% due to the shift in mix.

We believe that the smoking ban, now implemented across the UK, will further strengthen the growth prospects for food sales in our pubs, by being able to attract new customers previously deterred by tobacco smoke. Since the smoking ban was implemented in England, same outlet like-for-like food sales are up 5.0%.

Generate significant drinks market share gains

Our same outlet like-for-like drinks sales increased by 2.2% in the period. Sales volumes, a crucial measure of underlying customer usage, once again strongly out-performed the market across all the key categories of beer, cider, wines, spirits and soft drinks. Crucially, our same outlet beer and cider volumes were maintained against the background of a 4% decline in the on-trade market for these products in the year as a whole.

We are outperforming this in the beer category through widening the product range that we offer, improving the serve quality through intensive cellar training and investment in cooling systems, as well as delivering better presentation through attractive glassware.

Value is also playing a key part in our strong drinks market share gains, with a wide gap opening between our pricing and general on-trade pricing, thereby protecting our volumes from the supermarket discounting. As a result, the average retail price of standard lager is now 36 pence per pint less in our pubs than the average in leased pubs. This was despite our average retail drinks prices rising by 3.4%, partly due to like-for-like price increases, but also due to trading up to new, premium products. This increase was less than the price rises across the on-trade as a whole. As a result of these product initiatives and pricing policies, on a longer term perspective, we have grown our same outlet beer volumes by 6% over the past four years, against a 15% decline in the rest of the on-trade.

We have been following a similar strategy in wine, soft drinks and coffee which are key attractions to new users of pubs. We have been extending our ranges with new premium products, offering good value, own label products and enhancing the serve quality. Wine sales volumes grew last year by 3% with draught dispense now in some 630 pubs. In soft drinks, we have been successfully extending the range of fresh juices, cordials and mineral waters. We have also installed new branded coffee offers in around 1,200 pubs, with an uplift in sales volumes of 23%.

Develop and evolve an industry-leading portfolio of formats to drive sales growth

Our emphasis on innovation to develop our brands and formats to keep pace with fast changing consumer expectations is focused on ensuring that we continually attract new customers and generate higher levels of visits. We have developed an industry leading portfolio of brands and formats targeted at the growth segments of the market. Average weekly sales per pub are well over three times the industry average.

For instance, during the course of the year we have further developed our category killer, value food formats, Sizzling Pub Co, Pub Carvery and our new Community Locals format Cornerstone.

These each offer outstanding food value, with main meals priced between £3.50 and £4.50, in an attractive, high amenity pub environment. Pub Carvery is now generating an average of 2,950 meals per week, the highest, we believe, of any format in the industry. We have also evolved our long established High Street formats of O'Neill's and Scream, with strong performances resulting. Similarly the development of our London offers of Nicholson's and Metro Professionals has generated exceptional double digit food sales growth.

Deliver a profitable, integrated food and drinks offer

Whilst eating out is increasingly the reason that customers visit a Mitchells & Butlers pub, combining higher growth, lower margin food sales with higher margin drinks sales is key to maximising overall profitability. Our aim is to add incremental food sales which can be delivered at low marginal cost with an attractive drop-through to profit.

Extract volume driven efficiencies

Our rising volumes are critical in underpinning our efficiency gains. This year we have seen a further strong rate of increase in staff productivity, with a 3.9% increase in staff contribution per hour in the core estate. This reflects the impact of our training programmes, our focus on the optimum deployment of staff and ever more refined techniques for forecasting and scheduling. These have enabled us to realise significant productivity gains and maintain our pub employment cost ratio below 24% of sales excluding the Acquired Sites, despite a further increase of 6% in the National Minimum Wage in October 2006.

On purchasing, the Cost of Goods' index increases have seen cost rises held to under 1%, significantly below inflation, while £7m per annum of purchasing synergies from the Acquired Sites were delivered this year, ahead of our forecasts at this time of acquisition.

We also continue to drive process efficiencies in the infrastructure to leverage our scale economies. For example, the extra overhead required to service some £200m of sales from the Acquired Sites will have been held to £2m per annum. These factors have enabled us to maintain high net operating margins of 17.9% broadly in line with last year, despite £8m of regulatory cost increases and £14m of closure and pre-opening costs.

Over the next twelve months we have instigated a material rationalisation of the organisation, with approximately £7m of annualised cost efficiencies targeted to be delivered in FY2009.

Extend the skill base of operational excellence throughout the estate

The skills and experience of our operating teams provide a critical competitive advantage for us in delivering high standards of customer service efficiently and profitably. We have continued to build our staff training programmes and industry leading practices in the areas of: capacity management at peak times; kitchen processes and organisation; bar and floor service productivity; staff product knowledge and our responsiveness to direct measures of feedback on guest satisfaction. This focus on operational excellence is central to the high average levels of sales and profitability generated by our pubs.

Proactively manage the estate to maximise value

Our strategy is to maximise the profitability and value of each pub by applying the breadth of our trading formats as is most appropriate to the local market and demographics. During the year we have been adding value through this strategy to both the Acquired Sites and the existing estate. The Acquired Sites' conversion programme remains on track with 172 pubs now converted to our formats. We have moved at a rapid pace with the integration programme to turn around their previous under-performance and provide a platform for future growth. Average weekly sales uplifts on the converted sites are running at approximately 20% above the levels at which the pubs were acquired. We remain confident in delivering the year three target of 30% sales uplifts in the 2009 financial year.

In addition, we opened six new sites, and carried out 65 conversions and 13 growth projects to change the customer offer or increase the trading area of the site in the core estate. Overall, we are generating a pre-tax incremental return of 20% on our expansionary investment over the last two years in the core estate.

As a result of this strategy, and in the light of the general levels of investment in the on-trade market as a whole, the amenity gap between our pubs and the majority of pubs in the UK is widening, further improving our overall customer value proposition and our market share gains relative to the rest of the on-trade.

We continue to make targeted disposals, where the value to third parties is higher than the trading value to us. During the year we generated £162m of disposal proceeds, including the sale of 102 pubs to Trust Inns in October 2006, taking advantage of the buoyancy in the property market to crystallise the value of smaller pubs, which had limited food growth potential.

Grow profits and capture asset appreciation to benefit shareholders

Pubs are valued as specific use assets, primarily on the basis of their profitability and our strong operating performance has helped to generate further capital appreciation within our estate. This has been reflected in the £1.1bn upward revaluation of the estate to £5.0bn that has been carried out in conjunction with our property valuers, Colliers CRE.

Our focus remains on releasing to shareholders the benefits of this capital appreciation. At the start of the year, in October 2006, we returned £486m to shareholders by means of a

Special Dividend of £1 per share, crystallising for shareholders the continuing growth in the value of the estate.

It has also been clear that property investors are attracted to the long term, secure growth prospects that can be created through the rentalising of part of our operational cash flows in a dedicated property structure. Whether in a Joint Venture, a REIT or another separate property structure, fundamentally higher values appear to be placed on the estate than when it is combined in an integrated model with the operations.

We believe that substantial value can be potentially captured from our high quality, freehold and long leasehold assets, through such structures. A key consideration in such a process is to construct a lease arrangement which ensures that both the property and the operations remain mutually incentivised to continue to create long term value.

The Board will continue to actively investigate options for capturing the value of the property estate for shareholders on a sustainable basis.

FINANCIAL REVIEW

Total revenue for the year was £1,894m, up 10.1% on last year, including the first full year of ownership of the Acquired Sites purchased from Whitbread plc in July 2006.

Strong like-for-like sales growth continued in the year in both Residential and High Street areas, reflecting resilient trading in more challenging conditions in the second half and further significant market share gains.

Like-for-like sales	Same Outlet*	Uninvested*
Residential	3.1%	1.5%
High Street	3.0%	2.3%
Total	3.0%	1.7%

* Excludes the Acquired Sites

With the success of our ongoing sales and marketing activities, same outlet food sales and drink sales were up 5.1% and 2.2% respectively, with average retail prices up less than 2%, reinforcing our value position in a market characterised by real price increases.

Our increased share of the drinks market and the increasing scale of our food volumes have helped us to mitigate continuing pressures on the cost of goods purchased, including drinks duty rises and global food inflation. Overall gross margins were slightly below last year, reflecting a further shift in the sales mix towards the higher growth but lower margin categories of food and wine.

By continuing to improve employee productivity, our pub employment ratio in the estate was maintained at below 24% of sales, despite further increases in the National Minimum Wage adding £7m to our labour costs. As a result the net retail operating margin at 17.9% was broadly in line with last year, despite £14m of one-off closure and pre-opening costs incurred in connection with the conversion of the Acquired Sites.

We invested £261m in the year, of which £8m related to the purchase of the Acquired Sites and £80m was invested to convert the majority of those sites to Mitchells & Butlers' brands and formats. In the existing estate, £122m was invested to maintain the high levels of amenity in the pubs and in the continuing development and evolution of our brands and formats and £51m was spent on expansionary projects. During the year six new pubs opened and 65 existing pubs were converted to one of our brands or formats to uplift their sales and profits. We are continuing to achieve an incremental, pre-tax return of 20% on the core expansionary projects of the last two years.

During the year we raised £162m of cash from disposals, including £101m from the sale of 102 of our smaller, community pubs to Trust Inns Limited. As a result, net capital investment during the year was £99m.

In addition to the strong Retail performance, SCPD realised a property development profit of £7m in the year. As a result, total operating profit before exceptional items was £343m, up 11.0% on last year.

Pubs & Bars

	FY07	**Growth**
Revenue	£968m	1.0%
Operating profit*	£191m	6.7%
Same outlet like-for-like sales**		4.7%
Uninvested like-for-like sales**		3.0%

* Before exceptional items
** Excluding the Acquired Sites

After the disposal of 86 managed pubs, 8 transfers to business franchise and 1 pub transferred to the Restaurants division, there were 1,129 managed pubs in the Pubs & Bars division at the end of the period, including 28 Acquired Sites. There were on average 1,159 managed pubs trading during the year.

Revenue was up 1.0%, including £16m from the Acquired Sites transferred to the division following conversion. Excluding those Acquired Sites and adjusting for major disposals made last year and at the beginning of this year, revenue in the core Pubs & Bars estate was up 3.5%.

Pubs & Bars continued to achieve market share gains in drink sales, as a result of the widening gap between our amenity, product range and value for money and that of the competition. Food sales in the year were up 12.5% (excluding the Acquired Sites) driven by growth in the residential pubs, notably Sizzling Pub Co and Metropolitan Professionals, as well as by the Town Pubs and the central London estate.

The review of machines stakes and prizes shortly before the beginning of the year raised the maximum stake to 50p and the maximum prize to £35. These changes were modestly beneficial to machine sales although the negative impact of the smoking ban introduced in July meant that machine sales were slightly down for the year as a whole.

A total of 56 conversions were completed, predominantly to residential brands and formats such as Sizzling Pub Co, Ember Inns and the Metropolitan Professionals format.

As a result of tight cost control and improved employee productivity, Pubs & Bars operating profit of £191m before exceptional items was up 6.7% in the year and the net operating margin increased from 18.7% last year to 19.7%. Excluding the contribution from the Acquired Sites and the impact of major disposals in the comparative, the existing Pubs & Bars estate increased operating profit by 11.9%.

Restaurants

	FY07	Growth
Revenue	£908m	19.2%
Operating profit*	£145m	11.5%
Same outlet like-for-like sales**		1.0%
Uninvested like-for-like sales**		0.1%

* Before exceptional items
** Excluding the Acquired Sites

Following the disposal of 15 pubs and 8 transfers to business franchise, there were 787 managed pubs in the Restaurants division at the end of the period, including 191 Acquired Sites 2 new individual pubs and 1 pub transferred from Pubs & Bars. There were on average 768 managed pubs trading during the year.

Revenue was up 19.2%, including £160m from the Acquired Sites. Excluding the Acquired Sites, there were on average 591 pubs trading during the year and in these pub restaurants, revenue grew by 2.7%, with food sales up 3.9% and drinks up 0.7%.

The Restaurants division successfully integrated the Acquired Sites and completed the majority of the conversions during the year as planned. Growth in the rest of the estate slowed during the year primarily as a result of increasing economic pressure on mid-market consumers and greater intensity of competition in pub food. Management focus is on continuing to evolve the offer in our brands and formats, combined with further efficiency and productivity improvements.

Restaurants operating profit of £145m before exceptional items was up 11.5% on last year, including £16m from the Acquired Sites. The net operating margin fell from 17.1% last year to 16.0% due to the closure and pre-opening costs associated with the conversion of the Acquired Sites and the comparatively low margins achieved by those sites prior to conversion. Excluding the Acquired Sites, the Restaurants estate increased operating profit by 4.0% with a net operating margin improvement of 0.2 percentage points.

Standard Commercial Property Developments (SCPD)

SCPD generated £18m of revenue and £7m of operating profit in the year, the majority of which related to the sale of a long term development property in Burton-on-Trent, which was completed in August.

Property backed re-financing and related hedging arrangements

Substantial progress was made in the summer on structuring an attractive property transaction, with terms largely concluded with R20 (the investment vehicle of Robert Tchenguiz) based on the sale of a 50% stake in a £4.5bn property joint venture comprising approximately 1,300 pubs and £240m of rent.

In the final stage of the planned transaction, the Company and R20 separately entered into certain interest and inflation hedging arrangements intended to be contributed to the joint venture. However, the sudden, rapid deterioration in debt market conditions in late July meant that a financing package could not be obtained and the transaction could not be executed. The hedges remain in place as it is the Board’s intention to utilise these financial instruments in a future property based re-financing once debt markets have stabilised.

Property Revaluation

Given the continued focus on the value of our estate, we have completed a revaluation of our fixed assets based on an updated valuation by our property valuers, Colliers CRE, of our freehold and long leasehold properties as at 29 September 2007. For accounting purposes, this valuation represents the aggregate value of each individual pub, rather than a portfolio approach, based primarily on the trading cash flows. The revised value of the properties at £5.0bn represents a net increase of £1.1bn compared with the historical accounting basis. We will continue to revalue our properties each year on a rolling basis.

The accounting valuation of the property is consistent with the existing structure of the Group. However, based on advice received from Colliers CRE, all of the freehold and long leasehold properties within an OpCo/PropCo structure would support a market rent of £280m and a rental yield of 5.8%, with an indicative valuation of £4.8bn for the PropCo, before any allowance for purchaser's costs, based on a 35 year, RPI inflating lease. This valuation approach relates only to the rent from the freehold and long leasehold pubs and therefore excludes the cash flows received by the operating company from these pubs, as well as other company cash flows including those from existing short leasehold pubs. Based on the year ended 29 September 2007, this would equate to approximately £200m of underlying EBITDA.

Exceptional items

Exceptional items are those which are separately identified by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. Exceptional items are generally those which do not form part of the core operations of the Group. As a result, the Board focuses on "pre-exceptional" performance measures in order to compare underlying performance year on year.

The interest rate and inflation hedging arrangements that the Company entered into in July 2007 provide an economic hedge against the future anticipated cash flows associated with a property based refinancing, however they do not qualify for hedge accounting as defined in IAS39. Movements in their fair values are therefore recognised directly in the Group income statement, within exceptional finance costs. The total fair value movement of these instruments during the year reported within exceptional finance was £(221)m, (£(155)m after tax).

An exceptional loss on property related items of £23m (£17m after tax) arose during the year. This was caused by impairment arising from the revaluation of the property portfolio of £45m (£32m after tax) partly offset by net profits on the disposal of properties of £22m (£15m after tax), primarily related to the sale of 102 pubs to Trust Inns Limited on 6 October 2006.

Exceptional costs of £4m (£3m after tax) were incurred in the first half of the year relating to the integration of the Acquired sites, whilst a further £7m of costs (£7m after tax) were incurred in the second half of the year, relating primarily to professional advisers' fees in relation to the Board's review of a potential property refinancing and the proposed joint venture transaction with R20.

The tax impact of the above exceptional items is a £73m credit. In addition, there is a further £27m of exceptional deferred tax credits (giving a total of £100m), primarily relating to the change in the corporate tax rate from 30% to 28% in April 2008.

Finance Costs and Revenue

Finance costs during the year were £153m before exceptional items, £35m higher than last year. Finance revenue of £6m was achieved on the Group's cash balances being £3m lower than last year. The net increase in finance costs of £38m against last year reflects the higher level of debt in the Group following the purchase of the Acquired Sites in August 2006 and the payment of a special dividend of £486m to shareholders in October 2007.

Net finance income from pensions was £11m, £3m higher than last year due to an increase in the expected return on the assets in the pension scheme compared to the charge for the liabilities.

The Group's blended net interest rate for the year was 5.5% including the impact of the net finance income from pensions.

Taxation

The tax charge for the year was £62m before exceptional items. This is an effective rate of 30% of profit before tax, 1 percentage point lower than the previous year. The decrease has been achieved following the resolution during the second half of the year of various outstanding items with HMRC.

As part of the exercise to revalue assets at the year end, management also reviewed the Group's deferred tax provision for unrealised gains under IAS 12. This review has resulted in a prior year adjustment which has the effect of increasing the deferred tax provision in the opening balance sheet by £76m. This adjustment has no impact on previously reported profits. In addition, as a result of the revaluation, the deferred tax balance at 29 September 2007 has increased by £296m.

Earnings per share

Earnings per share were 35.5p before exceptional items, 21.2% ahead of last year. In addition to the growth in operating profit, earnings per share have benefited from a 17% reduction in the average number of shares mainly as a result of the 34 for 41 share consolidation carried out in October 2006 in conjunction with the special dividend.

The loss per share after exceptional items was 2.5p reflecting primarily the exceptional accounting losses on the financial hedges entered into in anticipation of a property re-financing and the proposed joint venture transaction with R20.

Dividends and returns to shareholders

The Board is recommending a final dividend for 2007 of 10 pence per share. Together with the interim dividend of 4.25p pence paid on 29 June 2007, this gives a total dividend for the year of 14.25 pence, up 16.3% on last year. Notwithstanding a more challenging outlook for the economy and the market environment, the proposed increase in the ordinary dividend is underpinned by the strong underlying earnings per share performance achieved in the year. The Board remains committed to a progressive policy for dividends consistent with the growth prospects of the Company.

Subject to approval at the AGM, on 31 January 2008, the final dividend will be paid on 4 February 2008 to shareholders on the register on 7 December 2007.

Since Mitchells & Butlers listed in April 2003, shareholders have received more than £1.1bn in cash through Special Dividends and share buybacks, over and above ordinary dividends paid. This represents more than 70% of the Company's market capitalisation at the time.

Cash flow and net debt

The Group's operations continue to be highly cash generative. Cash flow from operations was £447m before exceptional items but after additional pension contributions of £40m. Net capital expenditure was £99m comprising £80m of expenditure on the Acquired Sites, £51m of core expansionary capital investment, £122m of maintenance capital, less disposal proceeds of £162m.

Net interest paid of £145m was £38m higher than last year reflecting the increased level of debt in the business. Tax paid was £33m, £15m lower than the prior year driven primarily by £10m of tax rebates received from the Inland Revenue during the year. Payments totalling £52m were made in respect of the final dividend for FY2006 and the interim dividend for FY2007 in addition to the special dividend of £486m paid in October 2006. £46m was spent to repurchase shares, whilst £11m was received from the exercise of share options.

As a result, there was a net cash outflow of £399m before exceptional costs of £12m and bond repayments of £39m. This compared to a cash outflow before exceptional items of £428m last year. Net debt at the year end was £2,479m, £412m higher than last year, representing 5.25 times EBITDA.

Share price and market capitalisation

At 28 September 2007 the share price was 611p compared with 590p at the start of the financial year, an increase of 3.6%. The Company is a member of the FTSE 100 index with a market capitalisation of approximately £2.5bn at the year end.

Treasury management

The financial risks faced by the Group are identified and managed by a central Treasury department. The activities of the Treasury function are carried out in accordance with Board approved policies and are subject to regular audit. The department does not operate as a profit centre.

At 29 September 2007, the Group's net debt of £2,479m consisted of the securitised debt of £2,356m, borrowings on the Group's revolving credit facility of £192m, derivatives hedging balance sheet debt of £45m, other loan notes and finance lease obligations together totalling £3m, offset by a cash balance of £117m.

Pensions

On an IAS 19 basis, the Group's pensions schemes showed a deficit of £18m, (£14m after tax) at 29 September 2007 compared with £99m (£67m after tax) at 30 September 2006. The reduction in the deficit reflects the benefit of £40m of additional pension contributions paid in the year and improved investment returns, partially offset by updated assumptions of life expectancy.

The full actuarial review undertaken in the year is currently being finalised based on the value of the schemes as at 31 March 2007. The actuarial valuation adopts a more conservative basis of discounting the liabilities than is required by IAS 19 and the preliminary result shows a deficit of approximately £250m. In line with the new pensions regulations, the Company is finalising with the Pensions Trustees a formal recovery plan to close this deficit by 2017. As part of this plan, in addition to the ordinary annual service contributions, it is expected that further contributions of £24m will be made in each of the next 3 years. The contribution for the year ending 30 September 2008 will include the payment of £20m previously committed at the time of the Special Dividend in October 2006. The level of additional contributions will be subject to review during the next actuarial valuation as at 31 March 2010.

Shareholders' funds

Shareholders funds were £1,576m at the end of the year including the impact of the property revaluation compared with £1,209m at the start of the year which incorporates the impact of the £76m prior year adjustment.

GROUP INCOME STATEMENT
For the 52 weeks ended 29 September 2007

	2007		2006	
	52 weeks		52 weeks	
	Before exceptional items £m	**Total £m**	Before exceptional items £m	Total £m
Revenue (Note 3)	**1,894**	**1,894**	1,720	1,720
Operating costs before depreciation and amortisation	**(1,422)**	**(1,433)**	(1,290)	(1,297)
(Loss)/profit arising on property-related items (Note 4)	**-**	**(23)**	-	23
EBITDA*	**472**	**438**	430	446
Depreciation and amortisation	**(129)**	**(129)**	(121)	(121)
Operating profit (Note 3)	**343**	**309**	309	325
Finance costs (Note 5)	**(153)**	**(374)**	(118)	(122)
Finance revenue (Note 5)	**6**	**6**	9	9
Net finance income from pensions (Note 14)	**11**	**11**	8	8
Profit/(loss) before tax	**207**	**(48)**	208	220
Tax (expense)/credit (Notes 4 and 6)	**(62)**	**38**	(64)	(25)
Profit/(loss) for the financial period attributable to equity holders of the parent	**145**	**(10)**	144	195
Earnings/(loss) per ordinary share (Note 8)				
Basic	**35.5p**	(2.5)p	29.3p	39.7p
Diluted	**34.4p**	(2.5)p	28.6p	38.8p
Dividends (Note 7)				
Ordinary dividends proposed or paid (pence)		14.25		12.25
Ordinary dividends proposed or paid (£m)		57		53
Special dividends paid (pence)		100.00		-
Special dividends paid (£m)		486		-

* Earnings before interest, tax, depreciation and amortisation.

All activities relate to continuing operations.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the 52 weeks ended 29 September 2007

	2007 52 weeks £m	2006 52 weeks restated* £m
Unrealised gain on revaluation of the property portfolio (Note 2)	**1,124**	-
Tax charge relating to movement in unrealised gain due to revaluation (Note 6)	**(317)**	-
Tax credit relating to indexation of gains in respect of previous revaluations (Note 6)	**25**	19
Gains/(losses) on cash flow hedges taken to equity	**55**	(22)
Actuarial gains on defined benefit pension schemes (Note 14)	**33**	27
Tax on items recognised directly in equity (Note 6)	**(23)**	11
Tax credit in respect of change in tax rate (Note 6)	**30**	-
Income recognised directly in equity	**927**	35
Transfers to the income statement:		
On cash flow hedges	**15**	16
Tax on items transferred from equity (Note 6)	**(5)**	(5)
Net income recognised directly in equity	**937**	46
(Loss)/profit for the financial period	**(10)**	195
Total recognised income and expense for the financial period attributable to equity holders of the parent	**927**	241
Effect of prior year adjustment (Note 2)		(76)

* Restated in respect of a prior year adjustment (see Note 2).

GROUP BALANCE SHEET
29 September 2007

	2007	2006 restated*
	£m	£m
ASSETS		
Goodwill and other intangible assets	**17**	22
Property, plant and equipment	**5,030**	3,867
Lease premiums	**11**	13
Deferred tax asset	**75**	68
Derivative financial instruments	**30**	-
Total non-current assets	**5,163**	3,970
Inventories	**38**	42
Trade and other receivables	**69**	81
Derivative financial instruments	**79**	-
Cash and cash equivalents	**117**	375
Total current assets	**303**	498
Non-current assets held for sale	**6**	88
Total assets	**5,472**	4,556
LIABILITIES		
Borrowings	**(234)**	(41)
Derivative financial instruments	**(295)**	(7)
Trade and other payables	**(243)**	(251)
Current tax liabilities	**(18)**	(22)
Total current liabilities	**(790)**	(321)
Borrowings	**(2,317)**	(2,375)
Derivative financial instruments	**(47)**	(55)
Pension liabilities (Note 14)	**(18)**	(99)
Deferred tax liabilities	**(723)**	(494)
Provisions	**(1)**	(3)
Total non-current liabilities	**(3,106)**	(3,026)
Total liabilities	**(3,896)**	(3,347)
Net assets attributable to equity holders of the parent (Note 9)	**1,576**	1,209
EQUITY		
Called up share capital	**34**	34
Share premium account	**14**	14
Capital redemption reserve	**3**	3
Revaluation reserve (Note 2)	**828**	-
Own shares held	**(13)**	(12)
Hedging reserve	**20**	(30)
Translation reserve	**7**	6
Retained earnings	**683**	1,194
Total equity	**1,576**	1,209

* Restated in respect of a prior year adjustment (see Note 2).

GROUP CASH FLOW STATEMENT
For the 52 weeks ended 29 September 2007

	2007 52 weeks £m	2006 52 weeks £m
Cash flow from operations (Note 10)	**447**	430
Interest paid	**(151)**	(115)
Interest received	**6**	8
Tax paid	**(33)**	(48)
Net cash from operating activities	**269**	275
Investing activities		
Purchases of property, plant and equipment	**(252)**	(179)
Acquisition of Whitbread pub restaurant sites	**(8)**	(489)
Purchases of intangibles (computer software)	**(1)**	(3)
Proceeds from sale of property, plant and equipment	**162**	88
Proceeds from cash deposits with a maturity of greater than three months	**-**	1
Defence costs	**-**	(4)
Corporate restructuring costs	**(4)**	-
Net cash used in investing activities	**(103)**	(586)
Financing activities		
Purchase of own shares	**(46)**	(76)
Proceeds on release of own shares held	**11**	12
Repayment of principal in respect of securitised debt	**(39)**	(460)
Proceeds from issue of securitised debt	**-**	1,078
Proceeds from issue of other debt	**192**	-
Expenditure associated with refinancing	**(4)**	(10)
Repayment of principal in respect of other loans	**-**	(1)
Dividends paid	**(538)**	(56)
Net cash used in financing activities	**(424)**	487
Net (decrease)/increase in cash and cash equivalents (Note 13)	**(258)**	176
Cash and cash equivalents at the beginning of the financial period	**375**	199
Cash and cash equivalents at the end of the financial period	**117**	375

1. GENERAL INFORMATION

Mitchells & Butlers plc ('the Group') is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and in accordance with the Companies Act 1985. As a result, the information contained within this release has been prepared in accordance with IFRS.

The preliminary financial statements include the results of Mitchells & Butlers plc and all its subsidiaries for the 52 week period ended 29 September 2007. The comparative period is for the 52 week period ended 30 September 2006. The respective balance sheets have been drawn up to 29 September 2007 and 30 September 2006.

Exchange rates

The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the financial period of £1 = €1.48 (2006 £1 = €1.46), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.43 (2006 £1 = €1.47) and £1 = $2.04 (2006 £1 = $1.87) respectively.

2. CHANGE OF ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT

As at 29 September 2007 the Group has adopted a policy of revaluing its freehold and long leasehold property portfolio to market value, in accordance with the fair value provisions of IAS 16. This is a change from the previous policy, under which property, plant and equipment was stated at historical cost, except for certain items of property, plant and equipment held at deemed cost under the transitional rules of IFRS. The change in accounting policy reflects the adoption by the Group of emerging best practice among UK listed companies. In addition, the Group has been pursuing a property based refinancing during the year, seeking to realise for shareholders the potential value of the Group's property portfolio. The revaluation of property, plant and equipment within the Group's balance sheet provides shareholders with a more representative value than the historic cost basis.

The impact on the financial statements of this change in accounting policy has been to:

- increase the net book value of land and buildings as at 29 September 2007 by £1,124m;
- recognise an exceptional charge against operating profit in respect of 'Impairment arising from revaluation of the property portfolio' of £45m. This impairment reflects the difference for all assets where the fair value of the asset as determined by the revaluation as at 29 September 2007 is below the net book value prior to the revaluation.
- the impact of the above is a net increase in the value of property, plant and equipment of £1,079m;
- increase the amount of the deferred taxation provision by £296m after taking account of the change in the rate of corporation tax in 2008;
- recognise an exceptional deferred tax credit of £13m in respect of 'Impairment arising from revaluation of the property portfolio';
- recognise a credit of £828m against the revaluation reserve, representing the revaluation adjustment of £1,124m, plus the related deferred taxation liability of £296m.

As a result of the work performed to enable a policy of revaluation to be adopted, the Group has obtained more detailed information in respect of the valuation and tax base cost for individual assets. This information has enabled the Group to adjust its brought forward deferred taxation provision as at 1 October 2005 to a more appropriate amount. The Group has increased its deferred taxation provision as at 1 October 2005 by £99m, with a corresponding entry recognised in retained earnings at the same date. It has increased the tax credit relating to the indexation of gains in respect of previous revaluations in its statement of recognised income and expense in 2006 by £23m. As a result of this prior year adjustment, the deferred taxation provision reported in 2006 has increased by £76m and the amount of retained earnings reported in 2006 has reduced by £76m.

3. **SEGMENTAL ANALYSIS**

The Group has two main retail operating segments: Pubs & Bars, focusing primarily on drink and entertainment-led sites, and Restaurants, focusing on food and accommodation-led sites. The other Group activity is property development which is undertaken by Standard Commercial Property Developments Limited ('SCPD'). There are no inter-segment sales.

	2007 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Revenue						
Sales to third parties	**968**	**908**	**1,876**	**18**	**-**	**1,894**
Operating profit						
Operating profit before exceptional items	**191**	**145**	**336**	**7**	**-**	**343**
Exceptional items	**(17)**	**(10)**	**(27)**	**-**	**(7)**	**(34)**
Operating profit after exceptional items	**174**	**135**	**309**	**7**	**(7)**	**309**
Net finance costs						**(357)**
Tax credit						**38**
Loss for the financial period						**(10)**

	2006 52 weeks					
	Pubs & Bars £m	Restaurants £m	Retail Total £m	SCPD £m	Unallocated £m	Total £m
Revenue						
Sales to third parties	958	762	1,720	-	-	1,720
Operating profit						
Operating profit before exceptional items	179	130	309	-	-	309
Exceptional items	23	-	23	-	(7)	16
Operating profit after exceptional items	202	130	332	-	(7)	325
Net finance costs						(105)
Tax expense						(25)
Profit for the financial period						195

4. EXCEPTIONAL ITEMS

	Notes	**2007 52 weeks £m**	2006 52 weeks £m
Operating exceptional items			
Defence costs	a	-	(4)
Refinancing costs	b	-	(3)
Integration costs	c	(4)	-
Corporate restructuring costs	d	(7)	-
		(11)	(7)
Profits on disposal of properties		39	41
Losses on disposal of properties		(12)	(14)
Impairment arising from the revaluation of the property portfolio	e	(45)	-
Fair value adjustments on classification of non-current assets held for sale	f	(5)	(4)
Profit arising on property-related items		(23)	23
Total operating exceptional items		(34)	16
Exceptional finance costs			
Write off of unamortised transaction costs	b	-	(4)
Movements in fair value of derivative financial instruments	g	(221)	-
		(221)	(4)
Total exceptional items before tax		(255)	12
Tax credit/(charge) relating to above items		74	(1)
Exceptional tax released in respect of prior years	h	9	40
Tax credit in respect of change in tax rate	i	17	-
		100	39
Total exceptional items after tax		(155)	51

a Costs associated with evaluation of the R20 approach to acquire the share capital of Mitchells & Butlers plc and its subsidiaries.

b Refinancing costs consist of operating expenses incurred in relation to the refinancing of the Group's securitised debt, further details of which are given in Note 12. The refinancing also gave rise to accelerated amortisation of capitalised transaction costs. This related to secured loan notes, which were repaid on refinancing. The amortisation has been charged to finance costs.

c Costs associated with the Group's acquisition of the 239 pub restaurant sites acquired from Whitbread on 21 July 2006.

d Expenditure incurred in connection with the evaluation of alternative corporate structures for the separation and refinancing of the Group's property portfolio and operating business.

e Impairment arising from the Group's adoption of a policy of revaluing its freehold and long leasehold land and buildings with effect from 29 September 2007.

f Fair value adjustments on classification of non-current assets held for sale represent adjustments to the carrying value of property, plant and equipment, prior to transferring these to assets held for sale. This adjustment is made where the expected net sale proceeds are less than the book value.

g The movement in the fair value of the Group's derivative financial instruments which does not qualify for hedge accounting.

h Represents the release of provisions relating to tax matters which have been settled principally relating to disposals and qualifying capital expenditure.

i A deferred tax credit has been recognised in the year following the enactment of legislation in July 2007 which lowers the UK standard rate of corporation tax from 30% to 28% with effect from 1 April 2008.

None of the above exceptional items relate to discontinued operations, as defined by IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

5. FINANCE COSTS AND REVENUE

	2007 52 weeks £m	2006 52 weeks £m
Finance costs		
Securitised and other debt		
- before exceptional charge	**(153)**	(118)
Exceptional finance costs		
- write off of unamortised transaction costs (i)	**-**	(4)
- movement in fair value of derivative financial instruments (ii)	**(221)**	-
	(374)	(122)
Finance revenue		
Interest receivable	**6**	9
Net finance income from pensions (Note 14)	**11**	8

(i) Accelerated amortisation of capitalised transaction costs relating to secured loan notes repaid as part of the 2006 refinancing.

(ii) Represents the movement in the fair value of the Group's derivative financial instruments, which does not qualify for hedge accounting. This arises from the requirement to revalue the swaps at the balance sheet date.

6. TAX EXPENSE

	2007 52 weeks £m	2006 52 weeks £m
Tax charged in the income statement		
Current tax expense:		
UK corporation tax	**40**	49
Amounts overprovided in previous years	**(5)**	(33)
Total current tax	**35**	16
Deferred tax:		
Origination and reversal of temporary differences	**(51)**	18
Adjustments in respect of prior years	**(5)**	(9)
Change in tax rate	**(17)**	-
Total deferred tax	**(73)**	9
Total tax (credited)/charged in the income statement	**(38)**	25

	2007 52 weeks £m	2006 52 weeks restated* £m
Tax on items recognised directly in equity		
Unrealised gains due to revaluations	**(317)**	-
Indexation of gains in respect of previous revaluations	**25**	19
Actuarial gains on pension schemes	**(10)**	(7)
Share-based payments	**3**	14
Derivative financial instruments	**(21)**	(1)
Change in tax rate	**30**	-
Total tax (charge)/credit on items recognised directly in equity	**(290)**	25

* Restated in respect of a prior year adjustment (see Note 2).

7. DIVIDENDS

	2007 52 weeks £m	2006 52 weeks £m
Amounts paid and recognised in equity		
In respect of the 53 weeks ended 1 October 2005		
- Final dividend of 7.55p per share	**-**	38
In respect of the 52 weeks ended 30 September 2006		
- Interim dividend of 3.65p per share	**-**	18
- Final dividend of 8.60p per share	**35**	-
In respect of the 52 weeks ended 29 September 2007		
- Special interim dividend of 100.0p per share	**486**	-
- Interim dividend of 4.25p per share	**17**	-
	538	56
Proposed final dividend of 10.0p (2006 8.60p) per share	**40**	35

The payment of the special interim dividend amounting to £486m was approved by the shareholders on 17 October 2006 at the Extraordinary General Meeting. The shareholders also approved the consolidation of the share capital of the Company by the issue of 34 new ordinary shares of 8 13/24p each for every 41 existing shares of 7 1/12p each.

The Board approved on 28 November 2007 the proposed final dividend for the 52 weeks ended 29 September 2007. This did not qualify for recognition in the financial statements at 29 September 2007 as it had not been approved by the shareholders at that date.

8. EARNINGS PER ORDINARY SHARE

Basic earnings per share (EPS) has been calculated by dividing the profit or loss for the financial period by the weighted average number of ordinary shares in issue during the period of 408m (2006 491m), excluding own shares held in treasury and by employee share trusts.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares. The resulting weighted average number of ordinary shares is 421m (2006 503m).

Earnings per ordinary share amounts are presented before exceptional items (see Note 4) in order to allow a better understanding of the underlying trading performance of the Group.

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
52 weeks ended 29 September 2007:			
Profit for the period	(10)	(2.5)p	(2.5)p*
Exceptional items, net of tax (Note 4)	155	38.0 p	36.9 p
Profit before exceptional items	145	35.5 p	34.4 p
52 weeks ended 30 September 2006:			
Profit for the period	195	39.7 p	38.8 p
Exceptional items, net of tax (Note 4)	(51)	(10.4)p	(10.2)p
Profit before exceptional items	144	29.3 p	28.6 p

* The 2007 diluted EPS per ordinary share is unchanged from the basic EPS, as the inclusion of the dilutive potential ordinary shares would reduce the loss per share and is therefore not dilutive.

9. NET ASSETS

	2007 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Net assets						
Assets	2,445	2,709	5,154	16	-	5,170
Liabilities	(123)	(112)	(235)	(6)	-	(241)
Segmental net assets	2,322	2,597	4,919	10	-	4,929
Net debt					(2,479)	(2,479)
Other unallocated liabilities*					(874)	(874)
					(3,353)	1,576
Other						
Capital expenditure	110	150	260	-	-	260
Depreciation and amortisation	66	63	129	-	-	129

* Includes balances relating to derivatives, pensions, deferred and current tax and non-operating payables.

	2006 52 weeks					
	Pubs & Bars £m	Restaurants £m	Retail Total £m	SCPD £m	Unallocated restated* £m	Total restated* £m
Net assets						
Assets	2,179	1,914	4,093	19	-	4,112
Liabilities	(139)	(106)	(245)	(1)	-	(246)
Segmental net assets	2,040	1,808	3,848	18	-	3,866
Net debt					(2,067)	(2,067)
Other unallocated liabilities**					(590)	(590)
					(2,657)	1,209
Other						
Capital expenditure	92	595	687	-	-	687
Depreciation and amortisation	69	52	121	-	-	121

* Restated in respect of a prior year adjustment (see note 2).
** Includes balances relating to derivatives, pensions, deferred and current tax and non-operating payables.

10. CASH FLOW FROM OPERATIONS

	2007 52 weeks £m	2006 52 weeks £m
Operating profit	**309**	325
Add back: operating exceptional items	**34**	(16)
Operating profit before exceptional items	**343**	309
Add back:		
Depreciation of property, plant and equipment	**122**	114
Amortisation of intangibles (computer software)	**6**	7
Amortisation of lease premiums	**1**	-
Costs charged in respect of share remuneration	**8**	8
Defined benefit pension costs less regular cash contributions	**3**	3
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**483**	441
Movements in working capital and pension contributions:		
Decrease/(increase) in inventories	**4**	(3)
Decrease in trade and other receivables	**3**	7
Increase in trade and other payables	**3**	6
Movement in provisions	**(2)**	(1)
Additional pension contributions	**(40)**	(20)
Cash flow from operations before exceptional items	**451**	430
Integration costs paid	**(4)**	-
Cash flow from operations	**447**	430

11. NET CASH FLOW

	2007 52 weeks £m	2006 52 weeks £m
Operating profit before exceptional items	**343**	309
Depreciation and amortisation	**129**	121
EBITDA before exceptional items (a)	**472**	430
Working capital movement	**8**	9
Other non-cash items	**11**	11
Additional pension contributions	**(40)**	(20)
Cash flow from operations before exceptional items	**451**	430
Net capital expenditure (b)	**(99)**	(583)
Cash flow from operations before exceptional items and after net capital expenditure	**352**	(153)
Integration costs paid	**(4)**	-
Cash flow from operations after net capital expenditure	**348**	(153)
Interest paid	**(151)**	(115)
Interest received	**6**	8
Tax paid	**(33)**	(48)
Dividends paid	**(538)**	(56)
Purchase of own shares	**(46)**	(76)
Proceeds on release of own shares held	**11**	12
Defence costs (Note 4)	**-**	(4)
Expenditure associated with refinancing	**(4)**	(10)
Corporate restructuring costs	**(4)**	-
Net cash flow	**(411)**	(442)

(a) Earnings before interest, tax, depreciation, amortisation and exceptional items.
(b) Comprises purchases of property, plant and equipment and intangibles less proceeds from the sale of property, plant and equipment.

12. **ANALYSIS OF NET DEBT**

	2007 £m	2006 £m
Cash and cash equivalents (see below)	**117**	375
Securitised debt	**(2,356)**	(2,413)
Other borrowings	**(192)**	-
Derivatives hedging balance sheet debt*	**(45)**	(26)
Loan notes	**(2)**	(2)
Finance leases	**(1)**	(1)
	(2,479)	(2,067)

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

Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and in hand of £80m (2006 £260m) plus cash deposits with an original maturity of three months or less of £37m (2006 £115m).

Securitised debt

On 13 November 2003 securitised debt was issued in connection with the securitisation of the majority of the Group's UK pubs and restaurants business. The debt was issued in six loan note tranches raising £1,900m, before issue costs of £23m. The notes are secured on the majority of the Group's property and future income streams therefrom.

On 15 September 2006 there was a further issue of £655m secured loan notes in the form of the A4, AB, C2 and D1 loan notes. These were issued under substantially the same terms as the original securitisation in November 2003. The funds raised were mainly used to return £486m to shareholders by way of a special dividend and to provide long-term funding for the Whitbread pub restaurant sites acquired. As part of the issue, the original A1 and A3 loan note tranches were repaid and reissued as A1N and A3N loan notes to take advantage of market rates.

The overall cash interest payable on the above loan notes is 5.7%, after taking account of interest rate hedging and the cost of the provision of a financial guarantee provided by Ambac in respect of the Class A notes.

13. MOVEMENT IN NET DEBT

	2007 52 weeks £m	2006 52 weeks £m
Net (decrease)/increase in cash and cash equivalents	**(258)**	176
Add back cash flows in respect of other components of net debt:		
Proceeds from cash deposits with a maturity of greater than three months	**-**	(1)
Repayment of principal in respect of other loans	**-**	1
Repayment of principal in respect of securitised debt	**39**	460
Proceeds of issue of securitised debt	**-**	(1,078)
Proceeds of issue of other borrowings	**(192)**	-
Increase in net debt arising from cash flows	**(411)**	(442)
Non-cash movements	**(1)**	-
Increase in net debt	**(412)**	(442)
Opening net debt	**(2,067)**	(1,625)
Closing net debt	**(2,479)**	(2,067)

14. PENSIONS

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

Group income statement	2007 52 weeks £m	2006 52 weeks £m
Operating profit:		
Current service cost (defined benefit plans)	**(13)**	(14)
Current service cost (defined contribution plans)	**(1)**	(1)
Charge to operating profit	**(14)**	(15)
Finance income:		
Expected return on pension scheme assets	**74**	69
Interest on pension scheme liabilities	**(63)**	(61)
Net finance income in respect of pensions	**11**	8
Total charge	**(3)**	(7)

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

	2007 Value £m	2006 Value £m
Equities	**345**	596
Bonds	**854**	488
Property	**93**	98
Fair value of assets	**1,292**	1,182
Present value of scheme liabilities	**(1,310)**	(1,281)
Deficit in the schemes recognised as a liability in the balance sheet	**(18)**	(99)
Associated deferred tax asset	**5**	32

The table below analyses the movement in the schemes' net deficit in the period:

	Net deficit	
	2007 £m	2006 £m
At beginning of period	**(99)**	(151)
Current service cost	**(13)**	(14)
Interest cost on benefit obligations	**(63)**	(61)
Expected return on plan assets	**74**	69
Contributions	**50**	31
Actuarial gain recognised	**33**	27
At end of period	**(18)**	(99)

15. CONTINGENT LIABILITIES

The Group has given indemnities in respect of the disposal of certain companies previously within the Six Continents group. It is the view of the Directors that such indemnities are not expected to result in financial loss to the Group.

16. FINANCIAL STATEMENTS

This preliminary statement of results was approved by the Board of Directors on 28 November 2007. It does not constitute the Group's statutory financial statements for the 52 weeks ended 29 September 2007 or for the 52 weeks ended 30 September 2006. The financial information is derived from the statutory financial statements of the Group for the 52 weeks ended 29 September 2007. The auditors, Ernst & Young LLP, have reported on those financial statements and given an unqualified report under Section 235 of the Companies Act. The 2007 financial statements will be delivered to the Registrar of Companies in due course.

17. REVALUATION

The majority of the Group's freehold and long leasehold land and buildings, with the exception of land and buildings identified for disposal, were valued as at 29 September 2007 by Colliers CRE plc, independent chartered surveyors and by Andrew Cox MRICS, Director of Property, Chartered Surveyor.

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

In 1996, a group restructuring by Six Continents resulted in the transfer at book value of certain property, plant and equipment to a subsidiary that subsequently became part of the Mitchells & Butlers group. The book value included the effect of revaluations undertaken prior to 1996. Accordingly, the carrying value of the Group's property, plant and equipment reflects those revaluations in its deemed cost under IFRS, which at 30 September 2006 amounted to £374m. In addition, the carrying value of the Group's fixed assets reflects the most recent valuation of the properties undertaken in 1999 which at 30 September 2006 amounted to £328m.