26 November 2008

MITCHELLS & BUTLERS PLC

PRELIMINARY RESULTS
(For the year ended 27 September 2008)

Financial Highlights

	FY08 £m	FY07 £m	% growth
Revenue	1,908	1,894	0.7
EBITDA*	477	472	1.1
Operating Profit*	343	343	-
Profit before tax[1]*	179	207	(13.5)
Adjusted earnings per share**	31.5p	35.5p	(11.3)
Basic (loss) per share ***	(43.7)p	(2.5)p	n/a
Dividends	4.55p	14.25p	(68.0)

[1] Loss before tax after exceptional items and IAS 39 movements was £(238)m (FY07: £(48)m)

* EBITDA, operating profit and profit before tax are all stated before exceptional items and IAS 39 movements
** Adjusted earnings per share is stated as profit after tax before exceptional items and the IAS 39 movements, divided by the weighted average ordinary shares in issue
*** Exceptional items before tax were £(394)m (FY07: £(255)m); IAS 39 movements before tax were £(23)m (FY07: £(17)m); and the tax credit on these items was £114m (FY07: £100m)

Business Highlights

- Robust sales and profits performance for FY08: like-for-like sales up 1.0% and operating profits in line with FY07
- Continued strong food growth in year: average sales per pub up 7.2%
- Current trading resilient: like-for-like sales up 1.0% in the eight weeks to 22 November
- Increasing market share gains: food sales up 3.5% and drink sales up 0.5% in the first eight weeks on a like-for-like basis
- 50% EBITDA uplifts achieved on a run rate basis on the Original Acquired Sites* converted to our industry leading brands and formats
- Revised property valuation of £4.7 billion down only 7% on last year

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

Dividends and Cash Flow

The Board is focused on reducing the levels of unsecured medium term debt. It has therefore decided, despite a resilient trading performance and strong cash generation, not to propose a final dividend and will suspend dividend payments until drawing levels on its medium term facility are adequately below £300m. This is the level the three year facility falls to in December 2010, having stepped down from the current level of £600m to £550m in December 2008 and £400m in December 2009.

We expect to resume dividend payments once a comfortable level of headroom has been reached. Drawings on the facility were £514m at the year end and have since fallen to £475m at today's date.

Mitchells & Butlers operational performance has been robust with operating profits maintained for the year ended, while current trading is resilient, reflecting an acceleration in the rate of market share gains. As a result of this performance, cash generation has been strong with net cash flow last year of £164m, before dividend payments but after amortisation of secured debt. Overall, since the end of January, net debt has reduced by £175m to £2,735m.

We are also conserving cash by reducing current year expansionary capital expenditure to focus resources on the maintenance of the existing high amenity standards in the estate as well as implementing further cost efficiency measures in the business.

We will continue to seek value creative disposal opportunities. However, our ability to realise cash at acceptable values from the remaining non-core assets, as envisaged in the strategic review, has been significantly impacted by the prevailing conditions in the financial markets in recent months. We are not prepared to dispose of non-core assets for amounts materially below their fair value.

Based on the steps we are taking with regard to dividends and capital expenditure, and absent any further corporate disposals or alternative financing arrangements, we anticipate that the appropriate level of drawings will be achieved in FY2010, in advance of the scheduled amortisation.

The business model and its performance are robust and delivering significant market share gains. The Company is focusing its substantial cash flow generation on reducing debt to an appropriate long term level and securing a resilient operating performance amidst challenging market conditions. The suspension of dividend payments reflects proactive debt reduction in uncertain markets, not a change in the fundamental long term prospects of the business.

Current Trading

Current trading has shown a resilient trend in the first eight weeks of the financial year with like-for-like sales up 1.0% to 22 November. Food sales continue to be strong driven by the success of our new winter menus and were up 3.5% on a like-for-like basis. Drinks sales have continued their positive growth trajectory being up 0.5% in the period despite the sustained challenges in the on-trade beer market where volumes have fallen 8% over the past quarter. These sales increases have been driven by our value and volume strategy although the overall growth has been restrained by weak machine sales. Like-for-like sales since we last reported (for 51 weeks to September) were up 1.7% for the nine weeks ended to 22 November, with a strong final week of the last financial year.

8 weeks ended 22 November 2008	Like-for-like sales growth
Residential	1.9%
High Street	(0.7)%
Total	1.0%

In the Residential estate, accounting for 76% of our sales, like-for-like sales were up 1.9%, with strong growth across the spectrum of our value, mid-market and premium formats. Our new winter menus have started successfully and over the period there have been some good performances from Vintage Inns, which has continued its rejuvenation started in November last year; and from Sizzling Pub Co. and Crown Carveries which have both generated some excellent food and drink growth. Our menu and service enhancements in Harvester have made some initial encouraging progress in both the Early Bird menu and improvements in the trend of the later evening cover volumes.

In the High Street segment, accounting for 24% of sales, like-for-like sales were down 0.7%. This reflects continued strong growth from our Central London businesses, combined with a good performance from our Town Pubs outside London, which have been more than offset by very challenging market conditions for the later evening venues.

Progress on the Original Acquired Sites

Our strength in the casual dining market is best demonstrated by the uplifts achieved in the sites bought from Whitbread in July 2006 and subsequently converted to our brands and formats. The average EBITDA of the 205 converted pubs has now increased by over 50% on a fourth quarter run rate basis from the profitability level when acquired. This has been attained ahead of expectations through the strength of our market leading brands and formats and the implementation of our value and volume strategy that provides the platform for maximising the profits of each site. This has led to sales increasing by 20% and food volumes rising by 32%. Significant purchasing gains of £8m have also been extracted through these increased volumes. In addition, the introduction of our efficient staff scheduling systems and service training have radically improved staff productivity with employment costs reducing from 32% to 27% of sales. As a result, substantial improvements in profitability have been generated. These pub restaurants, together with the further 44 Whitbread outlets acquired on 19 September 2008, are high quality residential sites in prominent locations that offer an excellent opportunity for further long term growth within the pub eating out market. We expect that over half of the newly acquired sites will be converted to our brands by Christmas.

Property Valuation

We have completed a revaluation of our freehold and long leasehold pubs in conjunction with our property valuers, Colliers CRE, based on the market value of each individual pub. The revised total value of the pubs as at 27 September 2008 is £4.7 billion, which includes a decline of 7% on last year’s property valuation, reflecting the impact on property values from the credit restrictions and the slowing economic growth. £131m of this movement is reported as an adjustment to the revaluation reserve. The impairment charge of £206m reported in the income statement relates principally to a number of wet-led community pubs with limited food capacity and certain late night bars and venues, which have suffered from the impact of the smoking ban, as well as a write down of assets held for sale.

REITs

We have continued discussions with our advisers and the tax authorities to review the feasibility, costs and benefits of converting to REIT status without breaking the securitisation. However, given the recent Treasury announcement to exclude internal re-organisations from the REIT regime, the need for cash conservation and the current Group tax position, we have no plans of adopting any such structure for the foreseeable future.

Responsible Retailing

Mitchells & Butlers fully recognises its obligations inherent in the grant of our licences to operate safe, well managed premises where the consumption of alcohol takes place in a controlled environment. We invest considerable time and resource to ensure our retail staff receive comprehensive training. As a result of this we currently refuse service to some 70,000 people a month where no proof of age can be produced, and around 17,000 people a month on the grounds of being intoxicated.

We remain concerned that the Government's response to the issue of alcohol misuse appears to propose further, disproportionate and unnecessary regulation of the on-trade. In this regard, it is reassuring that the Association of Chief Police Officers believes that there already exists sufficient legislation for licensed premises.

We believe the Government's focus solely on the on-trade is misguided. The majority of alcohol is now purchased in the off-trade, where there is no supervision beyond the point of sale and where the widespread practice of irresponsible bulk promotions of cheap alcohol can encourage the purchase and consumption of excessive quantities of alcohol. We believe this serious issue should be addressed by the Government as a matter of urgency.

Outlook and Strategy

We remain highly cautious on the outlook for consumer spending in 2009 as the UK economy slides into recession. As a result, we expect continued significant declines in on-trade beer volumes and a contraction in the eating-out market in line with decreases in disposable incomes. Against this demand background, our value and volume strategy is well placed to support a resilient performance in a market driven by value orientated customers. For instance, the average price of a meal in our pubs is £6.05 and the average price of a pint of standard lager is over 40p cheaper than the average in leased pubs.

Mitchells & Butlers' sales have proved highly resilient through the first year of the smoking ban and the credit crunch. This has been generated by our ability to grow our food sales per pub by 7.2% in the last year and to out-perform the on-trade beer market by over 5%. We are aggressively driving accelerated market share gains and ensuring that this is profitable activity by focusing on the optimal balance of volume, price and mix to maximise the cash contribution to profit. As a result of this policy and the proactive menu management we expect to significantly mitigate the impact of the input cost increases.

During the year ahead we will continue to face substantial increases from input and regulatory costs. Commodity price volatility remains high and, while there have been encouraging reductions in lead cost indicators primarily in wheat and oil, our input costs on food, gas and electricity have remained at historically high levels. This has been the case in securing our winter requirements at prices which are substantially above the levels prevailing during the first half of last year. As a consequence, we expect a £30m increase in food and energy input costs, heavily concentrated into the first half. We expect those increases to subside and in some cases reverse in the second half as the impact of the recent commodity price declines feed through into our input costs. In addition, there will be a £20m increase in regulatory costs driven by national minimum wage and holiday pay increases and by the pre-announced increase in the beer duty.

We expect these cost increases to continue to be partially offset by further improvements in staff productivity, food margin management, purchasing and other cost efficiency savings, which we are targeting to be in the region of £20m in the year. Our outlet scale, with average EBITDA per pub of £240,000 per annum, as well as our corporate scale, with sales of over 110 million meals and over 500 million drinks, will enable us to maximise the benefits of operating efficiencies and purchasing power to mitigate the impact of these external cost increases.

In relation to the reduction in VAT from 17.5% to 15% we are in the process of passing on in full the benefits of this reduction to our customers on products for resale other than alcoholic drinks as a result of the duty increases.

Taking all these factors into account we estimate that same outlet like-for-like sales will need to grow by around 3% in order to achieve a similar level of retail operating profits as last year.

To assist in the priority of reducing the levels of unsecured debt, we are reducing the levels of expansionary capital expenditure. Compared to last year's total capital spend of £193m we expect to invest around £120m this year. The great majority of this spend, other than £18m for converting the recently acquired Whitbread sites, will be focused on maintaining the existing high standards of amenity within the estate.

Overall, despite the challenges from weakening consumer demand and the external cost pressures, we expect the consumer appeal of our brands, the quality of our well-invested estate, the accelerating market share gains from our value and volume sales strategy and further cost efficiencies, to support a resilient operating performance amidst what are set to remain very difficult trading conditions.

There will be a presentation for analysts and investors at 9.30am at the Allen & Overy Auditorium, One Bishops Square, London E1 6AD. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone by dialling in 0870 043 6305 or from outside the UK +44(0) 1452 556 620, quote conference ID 70372175, the replay will be available until 10/12/2008 on 0845 245 5205 or from outside the UK +44 (0) 1452 55 00 00 replay access number 70372175# .

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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 almost four 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, Crown Carveries, 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 growth includes the sales performance against the comparable period in the prior year of all managed pubs that were trading in the two periods being compared. For the eight weeks to 22 November 94% of the estate is included in this measure.

MITCHELLS & BUTLERS STRATEGY FOR GROWTH

Mitchells & Butlers performance this year has been robust against the background of a tough year for the pub market as a result of the smoking ban and weakening customer spending. Despite this, our focus on real value for the customer together with sustained investment in amenity levels and high service standards has enabled us to accelerate our profitable market share gains and announce positive like-for-like sales growth throughout the year. We estimate that we are now out-performing the pub food market significantly and have consolidated our performance as the on-trade's largest caterer selling over 110 million meals in the year at an average main meal price of only £6.05. In drinks, against on-trade beer market volumes down over 9%, we have delivered like-for-like sales down less than 1% with categories associated with food, such as coffee, wines and soft drinks showing a resilient performance. We have successfully reduced fixed and variable costs by over £20m and achieved our highest ever growth in staff productivity of 5.4% to offset the £16m increase in regulatory costs. As a result of this strong cost management, operating profit was in line with last year and overall net Retail operating margins were only slightly reduced against last year.

We have generated this performance through the successful implementation of our operational strategy which is to:

Lead the value for money casual dining market

Mitchells & Butlers' continual focus is on building our brands and formats to be the place of choice for customers to visit. The greatest demand today is centred on value for money casual dining and our pubs are well placed to take advantage of this growing area. Eating out has now become the core reason for visiting a Mitchells & Butlers pub with around two thirds of our sales being generated by a food related visit and food sales alone accounting for almost 40% of our sales mix. This reflects our long term development of, and investment in our formats to develop a clear value proposition for our customers across a wide range of demographics and income levels and to generate in turn substantial profit growth from food sales. As a result we have further increased our share of the eating out market with same outlet like-for-like food volume growth of 8% against a pub market up approximately 2%.

We have seen significant growth opportunities in the mainstream market where our ability to deliver quality meals at good value price points is generating huge demand. Our value food offers in Crown Carveries (average main meal price of £3.94), Sizzling Pub Co. (average main meal price of £4.85) and Cornerstone (average main meal price of £4.07) are some of our fastest growing formats.

Generate significant drinks market share gains

We have outperformed almost all of the main categories in on-trade drinks sales in the year, namely beer, cider, wines, and soft drinks. This has been achieved against a depressed on-trade drinks market, with beer volumes down 9% in the period, wines down 5%, soft drinks down 6% and spirits down 7%.

Against this depressed market outlook, we have focused on widening the product range that we offer; improving the serve quality through intensive cellar training and investment in cooling systems; delivering better presentation through attractive glassware; as well as maximising the sales of drinks bought in conjunction with our increasing food volumes. As result of our strategy to focus on food and other growth areas of the market, beer now constitutes around a quarter of our sales, having accounted for over 70% fifteen years ago.

For example, during the year we have concentrated on increasing the range and distribution of the cask ales that we serve, with cask ale volumes having grown by 8.6% in the year on a same outlet like-for-like basis in an ale market which was down almost 10%. In Vintage Inns, for example, almost all pubs now have two or more hand-pulls leading to growth in beer volume and a significant increase in total ale gross profit.

We are also always looking to add interest to our range, with seasonal products such as the organic cask ale, Golden Promise (brewed by Caledonian Breweries), which was stocked in Vintage Inns, Ember and Nicholsons in September and a number of Christmas Ales such as Santa's Tipple, brewed by Batemans, a family brewer. Both Ember and Vintage Inns have also hosted highly successful beer festivals. Looking forward, we are planning to introduce cask ale into both Toby and Crown Carveries early in the new calendar year, whilst All Bar One will be trialling cask ale in a number of bars. This emphasis has been accompanied by further investment in cellar training with over 1,200 managers having gained their Award in Beer & Cellar Quality in the year and over 700 pubs achieving their Cask Marque Accreditations.

In draught cider we have concentrated on providing further choice, and have therefore installed cider pumps in over 120 pubs which had previously not sold the product, with the result that all of our pubs now stock at least one draught cider. The range has been increased to drive interest and premiumisation into the category with products such as Addlestones and Aspalls being installed in addition to a standard cider. Our approach to draught cider has led to some excellent results, with cider volume growing by 12%.

Value also plays a key part in our out-performance with a pint of standard lager costing on average £2.21 in a Mitchells & Butlers pub in the year, over 40 pence per pint less than the average in leased pubs. This is despite our average retail drinks prices rising by 2.8% in the year as a result of like-for-like price increases as well as the introduction of new, premium products.

The growth in food sales is resulting in strong associated uplifts in wine and coffee particularly following the smoking ban. We have been extending our ranges with new premium products offering good value, as well as serving own label products and enhancing the serve quality. Hot drinks therefore grew by 7.6% in the period.

In soft drinks we have been extending the range of fresh juices, and cordials in our pub restaurants. We have also been first-to-market with new dispense equipment for our carbonates which is industry leading in ensuring the consistency of the taste, carbonation and temperature. The roll out of this innovative technology began in April and we have now completed over 500 installations.

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

We remain focused on developing and expanding our brands and formats to keep pace with fast changing consumer expectations ensuring that we attract an increasing proportion of new customers and generate higher levels of visits. We have developed and evolved our brands and formats over a number of years through a close understanding of customer preferences and detailed knowledge of how to benefit profitably from these trends. By having clearly differentiated offers targeted to a specific customer grouping, together with regular and sustained levels of capital investment to invigorate and evolve formats, we have been able to create an industry leading portfolio of brands and formats targeted at the growth segments of the market.

The success and strength of these brands and formats can be seen in the evolution of well-established formats such as Toby, Vintage, O'Neill's, Nicholson's and All Bar One where incremental improvements to the customer offer have created long term sustainable brands. For example we successfully recently rejuvenated the performance of Vintage Inns thanks to the introduction of new menus with improved quality and value and enhanced training and service standards, allied to an extended drinks range.

Deliver a profitable, integrated food and drink offer

Many of our pubs have prime locations in residential areas and are able to create an informal casual dining experience alongside a strong drinks trade. This requires a carefully thought through pub design, away from the segregation into formal restaurants or traditional pub decor towards sensitively integrated zoning of drink and food areas. This then enables a much more atmospheric and informal social experience where the food occasionality may be at normal mealtimes or at any time throughout the day. In this way our formats are able to take advantage of integrated food and drink offers comprising both higher margin drinks sales and lower margin food sales delivered at a small incremental cost, resulting in attractive increases in profits.

Extract volume driven efficiencies

Our overall pricing strategy continues to emphasise value to customers with average food and drinks price increases of 0.8% in the year. This reflects our focus on maximising the cash contribution to profit from the optimal combination of volume, price and mix in a value sensitive market. As a result there has been strong food volume growth and associated drinks sales, which although putting some pressure on gross margins from the faster growth of lower priced and lower margin products, has increased our purchasing gains. This has enabled our food inflation to be held to only 3% compared with increases of 10% in food costs in the marketplace.

We have also successfully reduced fixed and variable costs by over £20m mainly through a meticulous focus on pub level costs as well as continuing efficiencies in the cost base. We have also achieved our highest ever growth in staff productivity of 5.4% through our continuous investment in service training and ever more refined techniques for forecasting and scheduling. These factors have enabled the Company to offset the £16m increase in regulatory costs from drinks duties, the national minimum wage, holiday pay regulations and business rates. As a result of this strong cost management, net Retail operating margins were only slightly reduced for the year.

Extend the skill base of excellence throughout the estate

We believe strongly that guest satisfaction is critical to driving profit and that the skills and experience of our operating teams both front and back of house provide a real advantage in improving the customer experience. To that end, this year we have initiated a continuous survey of customers' experiences across most of our brands in order to gain direct guest feedback both on the offer and the individual pub. This is giving us a real competitive advantage in spotting and addressing customer preferences and trends.

We have also 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; and staff product knowledge. This focus is central to our out-performance of the pub market.

We aim to attract and train excellent people looking to develop their career in licensed retailing. Our wide range of brands and formats mean we can offer a great variety of opportunities to our employees and we provide comprehensive training for all levels of retail employees and management. Background and experience is not as important as having the right personality, enthusiasm and ability. The Company is committed to providing equal opportunity to all employees without discrimination and we are supportive of the employment and advancement of disabled and disadvantaged persons.

We currently employ over 40,000 people and take all necessary steps to ensure our retail management and staff have the skills to perform their roles effectively. We offer real opportunities to build a career within the Company. The development and succession of people who work in our pubs is regularly reviewed by managers and their Retail Business Managers (RBMs), with training programmes in place to develop individuals in the progression of their career into more senior roles.

Our 'Stepping Stones' scheme is the building block for retail employee training, where team leader development is supplemented with a workbook, including both back and front of house requirements and on-job and off-job modules. There has been a steady increase in the number of employees completing their Stepping Stones training over the last few years.

Our managers are also trained through the Compass and Management Foundation Course programmes, giving them the essential skills to operate our businesses legally and safely. This year we invested an average of six days training per employee.

Our training programmes not only give our employees the skills to achieve their ambitions but also, crucially, underpin our commitment to operate our businesses safely. We give rigorous training on the responsible retailing of alcohol to give our retail employees the expertise and the confidence to serve our customers correctly. Our retail teams currently refuse service to approximately 70,000 people a month who are unable to provide proof of their age and 17,000 people a month on the grounds of being intoxicated.

The Company aims to fill the majority of our management and RBM positions through internal succession. We deploy a combination of assessment centres, internal development centres, recruitment advertising, interviewing and on-job evaluation to develop potential managers and assistant managers and to help people progress their careers.

The Corporate Graduate Scheme is designed to recruit and develop many of our senior managers of the future and provides some of the most exciting and demanding graduate training in the industry for the around 10 graduates who join us on the scheme each year. This year we won the award for the 'Best Initiative to Attract People into Management' for our Progress Retail Graduate Scheme, at the Springboard UK Awards.

Mitchells & Butlers has a long-established, comprehensive employee communications programme in place, ensuring effective two-way communications between senior management and employees. A formal Business Forum, at which Executive Directors meet with elected employee representatives to discuss business concerns, takes place annually.

The yearly corporate employee satisfaction survey gauges staff opinion on a wide variety of Company issues and working practices in a confidential manner and provides a continuous objective measure for employee satisfaction and engagement. This year the response rate was again excellent and employee engagement remains high.

Proactively manage the estate to maximise value

Our operational strategy continues to be to maximise the profitability and value of each pub by applying the most appropriate trading format for the local market and demographics, whilst looking to demonstrate the value of the estate through individual pub disposals at high EBITDA multiples.

During the year our focus has been on completing the conversion of the original sites acquired from Whitbread in July 2006. These were completed in the first half, with 205 pubs now converted to our industry leading brands and formats.

In addition, we have opened 6 new sites, and carried out 52 conversions and 34 growth projects to change the customer offer or increase the trading area of the site. We are generating a pre-tax incremental return of 16% on these investments over the last two years.

This activity is taking place in an on-trade market where general levels of investment are low; therefore the amenity gap between our pubs and the majority of UK pubs is widening, further improving our relative customer value proposition and supporting continuing market share gains.

In addition, a total of £100m of disposal proceeds at high valuations has been realised during the year, or will be received from unconditional contracts including £15m from Standard Commercial Property Developments (SCPD), our property development unit. This, together with our strong operating cash inflows, has significantly reduced our debt levels since January 2008.

KEY PERFORMANCE INDICATORS ('KPI'S)

Mitchells & Butlers implements and monitors its performance against its strategy principally through four KPIs. The performance in the year is as follows:

1. Same outlet like-for-like sales growth – Mitchells & Butlers' operational and marketing plans have delivered resilient like-for-like sales growth compared with FY 2007 of 1.0% in the year (3.0% in FY 2007). The slowing in the growth is as a result of the impact of the smoking ban in England and Wales and a more challenging economic environment.

2. EPS growth – Operating profit in FY 2008 was flat on last year however, as a result of higher debt levels and interest costs following the closure of certain financial instruments in January 2008, earnings per share before exceptional items and IAS 39 movements has decreased by 11.3% to 31.5 pence per share (increase of 21.2% in FY 2007).

3. CROCCE in excess of WACC – Mitchells & Butlers aims to maximise the difference between the post-tax CROCCE and its WACC, a key measure of value creation. A CROCCE of 10.6% after tax was achieved in the 52 weeks to 27 September 2008, 4 to 5 percentage points ahead of the estimated WACC for the year, reflecting good operating performance supported by an efficient use of the balance sheet. (CROCCE was 10.8% after tax in the 52 weeks to 29 September 2007, around 4 to 5 percentage points ahead of our estimated WACC for that year.)

4. Incremental return on expansionary capital – Our performance in this area has been strong and remains well above our cost of capital and our internal investment appraisal hurdle rates. Pre-tax returns of 16% are being achieved on the expansionary capital projects carried out over the last two years compared with the 20% reported a year ago. This measure excludes the Original Acquired Sites due to the relatively short period of ownership and post conversion trading for all these sites, making it more difficult to estimate seasonal patterns and annualised returns post conversion.

FINANCIAL REVIEW

In a challenging economic environment, Mitchells & Butlers is well positioned with its value for money food and drink offers to deliver robust performance and increased market share gains whilst also achieving continued productivity gains through strong operational management. Investment in the business will continue to be tightly controlled seeking to ensure ongoing returns well above our cost of capital. The business expects to continue to deliver good operating cash flows, enhanced by asset disposal opportunities. In a difficult trading environment, the strength of Mitchells & Butlers' offers, operating model and our improving balance sheet means that we are well placed to take significant market share in the year ahead.

Group results

Total revenue for the financial year was £1,908m, up 0.7% on last year. This was a good trading performance in light of the adverse impact of the first year of the smoking ban in England and Wales as well as the pressures on consumer expenditure and the slight dilution from disposals made in the year.

Against a challenging trading environment like-for-like sales growth was resilient in both Residential and High Street areas, reflecting continued good demand for food in our pubs and pub restaurants and a widening out-performance of a declining on-trade drinks market.

Like-for-like sales	Same Outlet
Residential	1.5%
High Street	0.1%
Total	1.0%

The repositioning of the estate and its offers over the last ten years has ensured that Mitchells & Butlers is well placed to benefit from both the long-term structural trend to eating out and the current customer focus on value. This, combined with the success of our ongoing sales and marketing strategy, has resulted in same outlet like-for-like food sales up 4.9% and drinks sales down only 0.8% in the year. Our overall pricing strategy continues to emphasise value for the customer with average drinks prices only up 2.8% and food down 2.8%. Overall average food and drink prices were up 0.8%, reinforcing our competitive position in a market characterised by above inflation price increases.

Machine sales have been negatively affected by the smoking ban with same outlet like-for-like sales down 6.9%.

As a result of strong food volume increases, there has been some pressure on gross margins (down 1.4 percentage points on last year) from the faster growth of lower priced and lower margin products. Gross margins have also been adversely affected by the increase in drinks duties and food inflation. As we are one of the country's biggest purchasers of beef and poultry this cost pressure has been significant, however utilising our purchasing scale and our food volume growth has enabled us to achieve a food inflation over the year of only 3%.

We have also successfully reduced fixed and variable costs by over £20m in the year and achieved our highest ever growth in staff productivity of 5.4% to offset the £16m increase in regulatory costs from drinks duties, the national minimum wage, holiday pay regulations and business rates. As a result of this strong cost management, employment costs were maintained at 24% of sales and overall net retail operating margins at 17.5% were only down 0.4 percentage points on last year.

In total we invested £193m in the year, of which £31m related to the completion of the conversion of the Original Acquired Sites. In addition during the year 21 lodges were swapped for a further 44 Whitbread pub restaurants with a valuation of £78m for both sets of assets. £111m was invested to maintain the high levels of amenity in the pubs and in the continuing development and evolution of our brands and formats, £18m related to new acquisitions and £33m was spent on expansionary projects in the existing estate. During the year 6 new pubs opened and 117 existing pubs were converted to one of our brands or formats to uplift their sales and profits.

We have an excellent track record of investing capital for high returns within the business, with our core expansionary investment over the last two years continuing to deliver incremental pre-tax returns of over 16%. A barometer of the strength of our offers, strategy and operational teams is the performance of the Original Acquired Sites which, ahead of target, are delivering EBITDA uplifts of over 50% above the levels at the time of acquisition.

Despite a challenging property market, we continued to take advantage of disposing of assets with low growth prospects in the eating out market, achieving pub and related asset sales of £82m in the year on EBITDA multiples of approximately 18 times. As a result, net capital investment during the year after disposals was £111m. Although credit market conditions have worsened, we continue to review value creative options in relation to our remaining certain other assets, including our Innkeepers Fayre lodges, our German restaurants and Hollywood Bowl .

In addition to the resilient Retail performance, Standard Commercial Property Developments (SCPD), our in-house property development company, realised property sales of £15m and profits of £11m in the year. As a result, total operating profit before exceptional items and IAS 39 movements was £343m, in line with last year.

Pubs & Bars

	FY08	**Growth**
Revenue	£954m	(1.4)%
Operating profit*	£176m	(7.9)%
Same outlet like-for-like sales		(0.4)%

* Before exceptional items

After the disposal of 44 managed pubs, 11 transfers to business franchise and 2 acquisitions, there were 1,081 managed pubs in the Pubs & Bars division at the end of the period, including 26 Acquired Sites. There were on average 1,098 managed pubs trading during the year.

Following the impact of the smoking ban, the challenging consumer environment and the effect of disposals made in the year, revenue was down 1.4%. This result is after including £23m of turnover from the Original Acquired Sites transferred to the division following conversion. Excluding the effect of disposals and the Original Acquired Sites, the underlying Pubs & Bars revenue was flat on the previous year.

Pubs & Bars continued to achieve market share gains in drink and food sales, as a result of the widening gap between our amenity, product range and value for money with that of the competition. Food sales in the year were up 12.9% driven by strong growth in a number of formats and most notably Sizzling Pub Co., O'Neill's, Scream and Metropolitan Professionals, as well as by the Town Pubs and the central London estate.

A total of 50 conversions were completed, predominantly to residential brands and formats such as Sizzling Pub Co., Ember Inns and the Metropolitan Professionals format.

Pubs & Bars operating profit of £176m before exceptional items was down 7.9% in the year with net operating margin decreasing from 19.7% to 18.4%, particularly influenced by the cost increases in duty, food and energy.

Restaurants

	FY08	Growth
Revenue	£939m	3.4%
Operating profit*	£156m	7.6%
Same outlet like-for-like sales		2.6%

* Before exceptional items

Following the addition of a further 44 pub restaurants from Whitbread plc, the disposal of 14 pubs, and the addition of 4 individual pub acquisitions, there were 818 managed pubs in the Restaurants division at the end of the period, including 183 Original Acquired Sites. There were on average 772 managed pubs trading during the period.

The Restaurants division has successfully integrated and converted the Original Acquired Sites over the last two years with significant sales and profits uplifts. It is now rapidly seeking to convert the further 44 pubs acquired to our brands and formats. Excluding the Original Acquired Sites pubs, growth in the core estate in the period was strong despite the increasing economic pressure on mid-market consumers and greater intensity of competition in pub food. Total revenue was up 3.4%, including £178m from the Original Acquired Sites. Excluding the Original Acquired Sites, there were on average 589 pubs trading during the period and in these pubs revenue grew by 1.7%.

Restaurants operating profit of £156m before exceptional items was up 7.6% on the same period last year, including £30m from the Original Acquired Sites. Net operating margin was up 0.6 percentage points to 16.6%, as a result of improved profit performance and cost management against a period last year where there were significant pre-opening and closure costs. Excluding the Original Acquired Sites, Restaurants operating profit was down by 2.3% and operating margins declined by 0.7 percentage points.

Property

We have completed a revaluation of our freehold and long leasehold pubs in conjunction with our property valuers, Colliers CRE, based on the market value of each individual pub. The revised total value of the pubs as at 27 September 2008 is £4.7 billion, which includes a decline of 7% on last year's property valuation, reflecting the impact on property values from the credit restrictions and the slowing economic growth. £131m of this movement is reported as an adjustment to the revaluation reserve.

The exceptional impairment charge of £206m reported in the income statement relates principally to a number of wet-led community pubs with limited food capacity and certain late night bars and venues, which have suffered from the impact of the smoking ban. The Company has also identified a number of assets which it anticipates disposing of within the next 12 months to realise value for the Group. In accordance with the accounting guidance, it has adjusted the value of these to their anticipated net realisable value and reclassified them as non-current assets held for sale. This has resulted in an impairment charge arising on classification of non-current assets held for sale of £46m included in the above figure.

We have continued discussions with our advisers and the tax authorities to review the feasibility, costs and benefits of converting to REIT status without breaking the securitisation. However, given the recent Treasury announcement to exclude internal re-organisations from the REIT regime, the need for cash conservation and the current Group tax position, we have no plans of adopting any such structure for the foreseeable future.

Exceptional items and IAS 39 Movements

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 settlement in January 2008 of the majority of the interest rate and inflation hedging arrangements that the Company entered into in July 2007 in respect of the proposed property joint venture resulted in a post tax loss of £274m (£386m loss before tax). Of this, £145m (£204m before tax) was reported as an exceptional charge against income in 2007. A portion of the interest rate swaps were retained to provide an economic hedge against the future anticipated cash flows associated with an element of the Group's non-securitised debt as this forms part of the Company's core long term debt structure. These swaps do not qualify for hedge accounting as defined in IAS 39. The movement in fair value on these swaps was £17m after tax (£23m before tax) during the year.

The Board concluded a comprehensive strategic review in May 2008 examining all options for realising value for shareholders. The cost of the associated advisers' fees was £9m post tax (£12m before tax), which is disclosed as an exceptional operating charge in the year.

An exceptional post tax profit of £4m (£6m before tax) was made on individual pub disposals during the year.

Exceptional tax credits totalled £26m, driven by prior year provision releases and a change in the taxation basis for hotels.

Including the impairment charge following the property revaluation, this resulted in total exceptional items and IAS 39 movements of £303m after tax (£417m before tax) in the year.

Finance costs and revenue

Finance costs during the year were £174m before exceptional items and IAS 39 movements, £21m higher than the same period last year, reflecting the effect of the increase in debt associated with the close-out of the interest rate and inflation hedging arrangements. Finance revenue of £7m was achieved on the Group's cash balances, £1m higher than the same period last year. We anticipate an interest cost on the Group's net debt during the current year of approximately 6.4%.

Net finance income from pensions was £3m last year, £8m lower than the previous period due to a decrease in the expected return on the assets in the pension scheme compared to the charge for the liabilities. We currently expect that due to actuarial changes in the expected returns on pension scheme assets and liabilities in FY 2009, a charge to the profit and loss account of £6m will occur.

Taxation

The tax charge for the period was £52m before exceptional items and IAS 39 movements. This is an effective rate of 29% of profit before tax, 1 percentage point lower than the previous year reflecting a change in the corporation tax rate.

In FY 2009 the Company will utilise a number of tax credits and rebates such that no corporation cash tax will be payable in the year.

Earnings per share

Earnings per share were 31.5p before exceptional items and IAS 39 movements, a decrease of 11.3%.

The loss per share after exceptional items and IAS 39 movements was 43.7p reflecting the exceptional losses on the financial hedges settled in January and the property impairment charge.

Cash flow and net debt

Following the closure of the hedging arrangements in January, there has been a high level of emphasis on cash flow generation to restore the strength of the Company's balance sheet. At the end of the year, net debt had reduced by around £175m since January and the ratio of net debt to EBITDA was 5.7 times compared to 6.1 times in January.

The Group's operations continue to be highly cash generative. Cash flow from operations was £486m before exceptional items but after additional pension contributions of £24m. Net capital expenditure was £111m which comprised £31m of expansionary expenditure on the Acquired Sites, £51m of core expansionary capital investment, £111m of maintenance capital, less disposal proceeds from pubs and related assets of £82m.

In July, on the strength of its cash flow projections, the Company refinanced and extended its short term borrowings into a three year unsecured facility to November 2011. The facility was set to £600m initially; reducing to £550m from December 2008; £400m from December 2009; and £300m by December 2010. As at the year end the drawings on this facility were £514m.

This facility, together with the long term securitised debt, underpins Mitchells & Butlers' financing requirements and provides an appropriate level of financing headroom as the Company executes its strategic plan over the medium term.

In FY 2008 net interest paid of £164m was £19m higher than the same period last year primarily as a result of higher debt levels in the company. Tax paid was £4m, £29m lower than the prior year driven by £9m of tax rebates received from the HM Revenue & Customs during the period as well as tax credits from the losses on hedging arrangements. As a result, there was a net cash inflow of £147m before exceptional and non-operating cash costs of £412m.

At 27 September, the Group's net debt of £2,735m was £256m higher than the same period last year. This consisted of the securitised debt of £2,361m, non-securitised other borrowings and finance leases of £505m offset by cash balances of £131m.

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.

Pensions

After £24m of additional contributions, there was a pension deficit of £23m before tax at 27 September 2008 under IAS19. The formal actuarial valuation as at 31 March 2007 indicated a larger deficit of around £250m, reflecting the more conservative gilts basis for discounting future liabilities. The payment of additional contributions during the year reflects a formal recovery plan agreed during the year with the Pension Scheme Trustees to close the deficit on the gilts basis by 2017. As part of this plan, in addition to ordinary annual service contributions, we expect that further contributions of £24m will be made in each of the next two years prior to the next actuarial valuation.

GROUP INCOME STATEMENT
For the 52 weeks ended 27 September 2008

	2008 52 weeks		2007 52 weeks	
	Before exceptional items and IAS 39 movements £m	**Total £m**	Before exceptional items IAS 39 movements £m	Total £m
Revenue	**1,908**	**1,908**	1,894	1,894
Operating costs before depreciation and amortisation	**(1,431)**	**(1,443)**	(1,422)	(1,433)
Net profit arising on property disposals	**-**	**6**	-	27
EBITDA**	**477**	**471**	472	488
Depreciation, amortisation and impairment	**(134)**	**(340)**	(129)	(179)
Operating profit	**343**	**131**	343	309
Finance costs	**(174)**	**(379)**	(153)	(374)
Finance revenue	**7**	**7**	6	6
Net finance income from pensions	**3**	**3**	11	11
Profit/(loss) before tax	**179**	**(238)**	207	(48)
Tax (expense)/credit	**(52)**	**62**	(62)	38
Profit/(loss) for the financial period attributable to equity holders of the parent	**127**	**(176)**	145	(10)
Earnings/(loss) per ordinary share				
Basic	**31.5p**	**(43.7)p**	35.5p	(2.5)p
Diluted	**31.1p**	**(43.7)p**	34.4p	(2.5)p
Dividends				
Ordinary dividends				
Proposed or paid (pence)		**4.55**		14.25
Proposed or paid (£m)		**18**		57
Special dividends				
Paid (pence)		**-**		100.00
Paid (£m)		**-**		486

* Exceptional items and IAS 39 movements are analysed in note 3 and 4.
** Earnings before interest, tax, depreciation, amortisation and impairment

All activities relate to continuing operations.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 52 weeks ended 27 September 2008

	2008 52 weeks £m	2007 52 weeks £m
Unrealised (loss)/ gain on revaluation of the property portfolio	**(166)**	1,124
Tax credit/(charge) relating to movements in gains in respect of revaluations	**64**	(292)
(Losses)/gains on cash flow hedges taken to equity	**(20)**	55
Actuarial (losses)/gains on defined benefit pension schemes	**(35)**	33
Tax on items recognised directly in equity	**5**	(23)
Tax credit in respect of change in tax rate	**-**	30
Income recognised directly in equity	**(152)**	927
Transfers to the income statement:		
On cash flow hedges	**(30)**	15
Tax on items transferred from equity	**8**	(5)
Net income recognised directly in equity	**(174)**	937
Loss for the financial period	**(176)**	(10)
Total recognised income and expense for the financial period attributable to equity holders of the parent	**(350)**	927

GROUP BALANCE SHEET
27 September 2008

	2008 £m	2007 £m
ASSETS		
Goodwill and other intangible assets	**3**	17
Property, plant and equipment	**4,545**	5,030
Lease premiums	**10**	11
Deferred tax asset	**58**	75
Derivative financial instruments	**1**	30
Total non-current assets	**4,617**	5,163
Inventories	**39**	38
Trade and other receivables	**80**	69
Current tax asset	**3**	-
Derivative financial instruments	**-**	79
Other cash deposits	**2**	-
Cash and cash equivalents	**129**	117
Total current assets	**253**	303
Non-current assets held for sale	**114**	6
Total assets	**4,984**	5,472
LIABILITIES		
Borrowings	**(89)**	(234)
Derivative financial instruments	**(48)**	(295)
Trade and other payables	**(276)**	(243)
Current tax liabilities	**-**	(18)
Total current liabilities	**(413)**	(790)
Borrowings	**(2,755)**	(2,317)
Derivative financial instruments	**(33)**	(47)
Pension liabilities	**(23)**	(18)
Deferred tax liabilities	**(584)**	(723)
Provisions	**(1)**	(1)
Total non-current liabilities	**(3,396)**	(3,106)
Total liabilities	**(3,809)**	(3,896)
Net assets attributable to equity holders of the parent	**1,175**	1,576
EQUITY		
Called up share capital	**34**	34
Share premium account	**14**	14
Capital redemption reserve	**3**	3
Revaluation reserve	**697**	828
Own shares held	**(3)**	(13)
Hedging reserve	**(16)**	20
Translation reserve	**12**	7
Retained earnings	**434**	683
Total equity	**1,175**	1,576

GROUP CASH FLOW STATEMENT
For the 52 weeks ended 27 September 2008

	2008 52 weeks £m	2007 52 weeks £m
Cash flow from operations	**474**	447
Interest paid	**(171)**	(151)
Interest received	**7**	6
Tax paid	**(4)**	(33)
Net cash from operating activities	**306**	269
Investing activities		
Purchases of property, plant and equipment	**(192)**	(252)
Acquisition of Whitbread pub restaurant sites	**-**	(8)
Purchases of intangibles (computer software)	**(1)**	(1)
Proceeds from sale of property, plant and equipment	**82**	162
Transfers to cash deposits with a maturity of greater than three months	**(2)**	-
Corporate restructuring costs	**(3)**	(4)
Net cash used in investing activities	**(116)**	(103)
Financing activities		
Purchase of own shares	**(5)**	(46)
Proceeds on release of own shares held	**3**	11
Repayment of principal in respect of securitised debt	**(41)**	(39)
Proceeds from other debt	**320**	192
Expenditure associated with refinancing	**(11)**	(4)
Derivative financial instruments closure costs	**(386)**	-
Dividends paid	**(58)**	(538)
Net cash used in financing activities	**(178)**	(424)
Net increase/(decrease) in cash and cash equivalents	**12**	(258)
Cash and cash equivalents at the beginning of the financial period	**117**	375
Cash and cash equivalents at the end of the financial period	**129**	117

Cash and cash equivalents are defined in note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 September 2008

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. Accordingly, 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 27 September 2008. The comparative period is for the 52 week period ended 29 September 2007. The respective balance sheets have been drawn up to 27 September 2008 and 29 September 2007.

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 = €1.31 (2007 £1 = €1.48), 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 = €1.26 (2007 £1 = €1.43) and £1 = $1.84 (2007 £1 = $2.04) respectively.

2. **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.

	2008 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Revenue						
Sales to third parties	**954**	**939**	**1,893**	**15**	**-**	**1,908**
Operating profit						
Operating profit before exceptional items	**176**	**156**	**332**	**11**	**-**	**343**
Exceptional items	**(134)**	**(66)**	**(200)**	**-**	**(12)**	**(212)**
Operating profit after exceptional items	**42**	**90**	**132**	**11**	**(12)**	**131**
Net finance costs						**(369)**
Tax credit						**62**
Loss for the financial period						**(176)**

	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)

3. **EXCEPTIONAL ITEMS**

	Notes	**2008 52 weeks £m**	2007 52 weeks £m
Operating exceptional items			
Integration costs	a	**-**	(4)
Corporate restructuring costs	b	**-**	(7)
Strategic review costs	c	**(12)**	-
		(12)	(11)
Profits on disposal of properties		**19**	39
Losses on disposal of properties		**(13)**	(12)
Net profit arising on property disposals		**6**	27
Impairment arising from the revaluation of the property portfolio	d	**(160)**	(45)
Impairment arising on classification of non-current assets held for sale	e	**(46)**	(5)
Total impairment		**(206)**	(50)
Total operating exceptional items		**(212)**	(34)
Exceptional finance costs			
Movement in fair value of derivative financial instruments closed out in the period (note 4)	f	**(182)**	(204)
		(182)	(204)
Total exceptional items before tax		**(394)**	(238)
IAS 39 movements (note 4)		**(23)**	(17)
Total exceptional items and IAS 39 movements before tax		**(417)**	(255)
Tax credit relating to above items		**88**	74
Exceptional tax released in respect of prior years	g	**14**	9
Tax credit in respect of change in tax rate	h	**-**	17
Tax credit in respect of change in tax legislation	i	**12**	-
		114	100
Total exceptional items and IAS 39 movements after tax		**(303)**	(155)

a. Costs associated with the integration of the 239 pub restaurant sites acquired from Whitbread on 21 July 2006.
b. 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.
c. Professional fees incurred in connection with the Group's review of strategic options for value creation.
d. Impairment arising from the Group's valuation of its property estate.
e. Impairment arising on the carrying value of property, plant and equipment and goodwill transferred to non-current assets held for sale, where the expected net sale proceeds are less than the book value.
f. Movement in fair value of derivative financial instruments closed out in the period is the fair value movement during the period of the derivative financial instruments closed out in January 2008. The sum of the movement of £182m charged this period and the amount of £204m charged in the prior year represents the total cash cost of terminating these instruments.
g. Represents the release of provisions relating to tax matters which have been settled principally relating to disposals and qualifying capital expenditure.
h. A deferred tax credit has been recognised in the prior year following the enactment of legislation in July 2007 which lowered the UK standard rate of corporation tax from 30% to 28% with effect from 1 April 2008.
i. Following recent legislative changes to the tax regime for hotels, a tax credit of £12m has arisen in the period in respect of the release of deferred tax on hotel assets.

All exceptional items relate to continuing operations.

4. FINANCE COSTS AND REVENUE

	2008 52 weeks £m	2007 52 weeks £m
Finance costs		
Securitised and other debt		
- before exceptional charge	**(174)**	(153)
Exceptional finance costs		
- movement in fair value of derivative financial instruments closed out in the period[a]	**(182)**	(204)
IAS 39 movements[b]	**(23)**	(17)
	(205)	(221)
	(379)	(374)
Finance revenue		
Interest receivable	**7**	6
Net finance income from pensions	**3**	11

a. An explanation of these exceptional costs is provided in note 3.

b. IAS 39 movements represent the movements during the period in the fair value of the Group's derivative financial instruments which are commercially effective but do not qualify for hedge accounting.

5. **TAX EXPENSE**

	2008 52 weeks £m	2007 52 weeks £m
Tax charged in the income statement		
Current tax (credit)/expense:		
UK corporation tax	**1**	40
Amounts overprovided in previous years	**(16)**	(5)
Total current tax	**(15)**	35
Deferred tax:		
Origination and reversal of temporary differences	**(36)**	(51)
Adjustments in respect of prior years	**1**	(5)
Change in tax rate	**-**	(17)
Change in tax legislation	**(12)**	-
Total deferred tax	**(47)**	(73)
Total tax credited in the income statement	**(62)**	(38)

	2008 52 weeks £m	2007 52 weeks £m
Tax on items recognised directly in equity		
Unrealised losses/(gains) due to revaluations	**64**	(292)
Actuarial losses/(gains) on pension schemes	**10**	(10)
Share-based payments	**(11)**	3
Derivative financial instruments	**14**	(21)
Change in tax rate	**-**	30
Total tax credit /(charge) on items recognised directly in equity	**77**	(290)

6. DIVIDENDS

	2008 52 weeks £m	2007 52 weeks £m
Amounts paid and recognised in equity		
In respect of the 52 weeks ended 30 September 2006		
- 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
- Final dividend of 10.00p per share	**40**	-
In respect of the 52 weeks ended 27 September 2008		
- Interim dividend of 4.55 pence per share	**18**	-
	58	538

7. EARNINGS PER 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 403m (2007 408m), 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 408m (2007 421m).

Earnings per ordinary share amounts are presented before exceptional items (see note 3) and the IAS 39 movements (see note 4) in order to allow a better understanding of the underlying trading performance of the Group.

	Profit/(loss) £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
52 weeks ended 27 September 2008:			
Loss for the period	(176)	(43.7)p	(43.7)p*
Exceptional items, net of tax	286	71.0 p	70.1 p
IAS 39 movements, net of tax	17	4.2 p	4.2 p
Adjusted profit/EPS	127	31.5 p	31.1 p
52 weeks ended 29 September 2007:			
Loss for the period	(10)	(2.5)p	(2.5)p*
Exceptional items, net of tax	143	35.0 p	34.0 p
IAS 39 movements, net of tax	12	3.0 p	2.9 p
Adjusted profit/EPS	145	35.5 p	34.4 p

* The 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 in accordance with IAS 33 ‘Earnings per Share’.

8. **NET ASSETS**

	2008 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Net assets						
Assets	**2,268**	**2,506**	**4,774**	**16**	**-**	**4,790**
Liabilities	**(140)**	**(136)**	**(276)**	**(1)**	**-**	**(277)**
Segmental net assets	**2,128**	**2,370**	**4,498**	**15**	**-**	**4,513**
Net debt					**(2,735)**	**(2,735)**
Other unallocated liabilities*					**(603)**	**(603)**
					(3,338)	**1,175**
Other						
Capital expenditure	**95**	**172**	**267**	**-**	**-**	**267**
Depreciation and amortisation	**67**	**67**	**134**	**-**	**-**	**134**

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

	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.

9. CASH FLOW FROM OPERATIONS

	2008 52 weeks £m	2007 52 weeks £m
Operating profit	**131**	309
Add back: operating exceptional items	**212**	34
Operating profit before exceptional items	**343**	343
Add back:		
Depreciation of property, plant and equipment	**129**	122
Amortisation of intangibles (computer software)	**4**	6
Amortisation of lease premiums	**1**	1
Cost charged in respect of share remuneration	**4**	8
Defined benefit pension cost less regular cash contributions	**(2)**	3
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**479**	483
Movements in working capital and pension contributions:		
(Increase)/decrease in inventories	**(1)**	4
(Increase)/decrease in trade and other receivables	**(7)**	3
Increase in trade and other payables	**39**	3
Movement in provisions	**-**	(2)
Additional pension contributions (note 13)	**(24)**	(40)
Cash flow from operations before exceptional items	**486**	451
Integration costs paid	**-**	(4)
Strategic review costs	**(12)**	-
Cash flow from operations	**474**	447

10. NET CASH FLOW

	2008 52 weeks £m	2007 52 weeks £m
Operating profit before exceptional items	**343**	343
Depreciation and amortisation	**134**	129
EBITDA before exceptional items *	**477**	472
Working capital movement	**31**	8
Other non-cash items	**2**	11
Additional pension contributions (note 13)	**(24)**	(40)
Cash flow from operations before exceptional items	**486**	451
Net capital expenditure **	**(111)**	(99)
Cash flow from operations before exceptional items and after net capital expenditure	**375**	352
Integration costs paid	**-**	(4)
Strategic review costs	**(12)**	-
Cash flow from operations after net capital expenditure	**363**	348
Interest paid	**(171)**	(151)
Interest received	**7**	6
Tax paid	**(4)**	(33)
Dividends paid	**(58)**	(538)
Purchase of own shares	**(5)**	(46)
Proceeds on release of own shares held	**3**	11
Expenditure associated with refinancing	**(11)**	(4)
Derivative financial instruments closure costs	**(386)**	-
Corporate restructuring costs	**(3)**	(4)
Net cash flow	**(265)**	(411)

* Earnings before interest, tax, depreciation, amortisation and exceptional items.

** Comprises purchases of property, plant and equipment and intangibles less proceeds from the sale of property, plant and equipment.

11. ANALYSIS OF NET DEBT

	2008 **£m**	2007 £m
Cash and cash equivalents (see below)	**129**	117
Cash deposits with a maturity of greater than three months (see below)	**2**	-
Securitised debt (see below)	**(2,339)**	(2,356)
Other borrowings	**(504)**	(192)
Derivatives hedging balance sheet debt*	**(22)**	(45)
Loan notes	**-**	(2)
Finance leases	**(1)**	(1)
	(2,735)	(2,479)

* 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 £79m (2007 £80m) plus cash deposits with an original maturity of three months or less of £50m (2007 £37m).

Cash deposits with a maturity of greater than three months represent monies held in ESCROW.

Securitised debt

On 13 November 2003, a group company, Mitchells & Butlers Finance plc, issued £1,900m of secured loan notes in connection with the securitisation of the majority of the Group's UK pubs and restaurants business owned by Mitchells & Butlers Retail Limited. The funds raised were mainly used to repay existing bank borrowings of £1,243m, pay issue costs of £23m and return £501m to shareholders by way of a Special Dividend.

On 15 September 2006 Mitchells & Butlers Finance plc completed the issue of £655m of further secured loan notes in the form of the A4, AB, C2 and D1 loan notes as detailed below. 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 and AB notes.

12. MOVEMENT IN NET DEBT

	2008 52 weeks £m	2007 52 weeks £m
Net increase /(decrease) in cash and cash equivalents	**12**	(258)
Add back cash flows in respect of other components of net debt:		
Transfers to cash deposits with a maturity of greater than three months	**2**	-
Repayment of principal in respect of other loans	**2**	-
Repayment of principal in respect of securitised debt	**41**	39
Proceeds of issue of other borrowings	**(322)**	(192)
Increase in net debt arising from cash flows	**(265)**	(411)
Non-cash movements	**9**	(1)
Increase in net debt	**(256)**	(412)
Opening net debt	**(2,479)**	(2,067)
Closing net debt	**(2,735)**	(2,479)

13. PENSIONS

Group income statement	**2008 £m**	2007 £m
Operating profit:		
Current service cost (defined benefit plans)	**(13)**	(13)
Current service cost (defined contribution plans)	**(2)**	(1)
Charge to operating profit	**(15)**	(14)
Finance income:		
Expected return on pension scheme assets	**79**	74
Interest on pension scheme liabilities	**(76)**	(63)
Net finance income in respect of pensions	**3**	11
Total charge	**(12)**	(3)

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

	2008 Value £m	2007 Value £m
Equities	**359**	345
Bonds	**814**	854
Property	**38**	93
Fair value of assets	**1,211**	1,292
Present value of scheme liabilities	**(1,234)**	(1,310)
Deficit in the schemes recognised as a liability in the balance sheet	**(23)**	(18)
Associated deferred tax asset	**6**	5

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

	Net deficit	
	2008 £m	2007 £m
At beginning of period	**(18)**	(99)
Current service cost	**(13)**	(13)
Interest cost on benefit obligations	**(76)**	(63)
Expected return on plan assets	**79**	74
Contributions	**40**	50
Actuarial (loss)/gain recognised	**(35)**	33
At end of period	**(23)**	(18)

14. 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.

15. FINANCIAL STATEMENTS

This preliminary statement of results was approved by the Board of Directors on 25 November 2008. It does not constitute the Group's statutory financial statements for the 52 weeks ended 27 September 2008 or for the 52 weeks ended 29 September 2007. The financial information is derived from the statutory financial statements of the Group for the 52 weeks ended 27 September 2008. The auditors, Ernst & Young LLP, have reported on those financial statements and given an unqualified report under Section 235 of the Companies Act. The 2008 financial statements will be delivered to the Registrar of Companies in due course.

16. 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 27 September 2008 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 valuation of the properties undertaken in 1999 which at 30 September 2006 amounted to £328m.