26 November 2009

MITCHELLS & BUTLERS PLC

FINAL RESULTS
(For the year ended 26 September 2009)

Financial Highlights

	FY 2009 £m	FY 2008 £m	% growth
Revenue	1,958	1,908	2.6
EBITDA*	428	477	(10.3)
Operating Profit*	300	343	(12.5)
Profit before tax[1] *	134	176	(23.9)
Adjusted earnings per share**	23.6p	31.0p	(23.9)
Basic earnings/ (loss) per share ***	1.0p	(43.7)p	n/a
Dividends	-	4.55p	-

[1] After exceptional items and other adjustments, the loss before tax was £(10)m (FY 2008: £(238)m)
* EBITDA, operating profit and profit before tax are all stated before exceptional items and other adjustments
** Adjusted earnings per share is stated as profit after tax before exceptional items and other adjustments, divided by the weighted average number of ordinary shares in issue
*** Basic earnings/(loss) per share is stated after deducting exceptional items and other adjustments after tax of £(92)m, FY 2008 £(301)m

Business Highlights

- FY 2009 like-for-like sales up 1.6% and total revenue up 2.6%
- FY 2009 like-for-like food and drink sales up 3.1% and 1.8% respectively
- Operating profits down 12.5% reflecting £54m of regulatory and inflationary cost pressures*
- Second half Retail operating profits down 2.4% compared with first half down 16.8%*
- Strong cash generation: net debt reduced by £135m in the year
- Current trading improving: like-for-like sales up 3.2% in the eight weeks to 21 November

* Before exceptional items

Commenting on the results, Adam Fowle, Chief Executive, said:

“Mitchells & Butlers has produced a robust operational performance in challenging conditions. The Company has sold 129 million meals in the year and grown average food sales per pub by 9%. The second half trend in net profit margin recovery continues. The first eight weeks of the new financial year have started well and the strength of the Group’s brands, locations, operational skills and cost management mean that we are well positioned for the year ahead.”

FY 2009 Operational Performance

The Group’s sales performance in the year was good with like-for-like sales up 1.6% and total revenue up 2.6% to £1,958m reflecting the strength of the Company’s brands with their high amenity levels and value-for-money pricing.

Like-for-like food and drink sales were up 3.1% and 1.8% respectively, a strong performance given the declines currently experienced in both these markets. In volume terms, this

represents an outperformance of the eating-out and the on-trade beer market* by 10% points and 6% points respectively.

Gross margins were 1.5% points lower than last year on an improving trend. Second half margins were 0.9% points down, compared with 2.0% points in the first half, as a result of sales increasing and duty and food inflation reducing. Across both halves, 0.7% points of this decline was caused by the disposal of the high gross margin lodges and the increase in food sales mix which has slightly lower margins than drink.

This financial year has been affected by an abnormal level of cost increases which particularly impacted the first half of the year. £30m of additional regulatory costs related to the National Minimum Wage, holiday pay, business rates and exceptional duty increases with an additional £24m of food and energy cost inflation.

Against these increases, our focus on cost management has resulted in £20m of savings with productivity improvements in staff contribution per hour of 5.2% achieved in the year along with gains from menu development, waste reduction and energy efficiency. As a result of these factors, Retail operating margin** fell by 2.2% to 15.3% with a second half margin of 17.2%, down 1.1% points against the same period last year. This led to Retail operating profits** down 9.6%, with the first half down 16.8% and second half 2.4% lower.

Balance Sheet

The business continues to generate strong operational cash inflows supported by disposals of £72m, leading to a net debt reduction of £135m in the year. Following the closure in the second half of the remaining swaps at a cost of £95m, drawings on the unsecured medium term facility were £383m at the year end, well below the facility limits.

Total capital expenditure in the financial year was £122m and we expect to spend around £140m on the estate on maintenance and expansionary investment this year.

An accounting valuation of our estate has been completed in conjunction with our property valuers, Collier CRE plc who provided a Red Book valuation of a portion of our estate. The revised net book value at 26 September 2009 of £4.5bn*** is 4% lower than the prior year and includes a downward adjustment in the accounting valuation of 2.3% (a total reduction of 9% over the last two years). The current year adjustment reflects primarily the impact of the recession on our late evening businesses, lodges, Hollywood Bowls and a small number of drink focused pubs where food development potential is limited. As a result of the volatility in property markets we intend to carry out a periodic full Red Book valuation of the whole estate.

The pension deficit on the balance sheet has increased to £130m at the year end, primarily due to a reduction in corporate bond yields. The next pension scheme triennial valuation for funding purposes is due in March 2010. Discussions have commenced with the Pension Trustees in respect of the various assumptions to be used in the valuation, some of which could vary significantly from the accounting basis, and we therefore anticipate that the valuation deficit may be higher than £130m. A revised funding plan will be agreed with the Trustees once the valuation process is complete.

Social Responsibility

Mitchells & Butlers recognises the wider concerns caused by anti-social behaviour from excessive alcohol consumption. We also recognise that the pub can play a key role in the supervised retailing of alcohol. At the heart of this is the importance of providing our customers with a friendly, safe, well managed licensed environment. One of the

consequences of the controls we have in place is that, each month across all our pubs, we currently refuse to serve alcohol to around 20,000 people on the grounds of being intoxicated and approximately 80,000 people where no proof of age can be produced. In addition, we support local and national responsible drinking initiatives and endorse the strategies of the police and local councils to ensure that the small number of licensees who run irresponsible or unlawful pubs comply with licensing regulations or are dealt with appropriately.

Mitchells & Butlers Board

As part of reducing his business commitments, Drummond Hall will step down as Chairman once an appropriate successor is in place. A process has been initiated to fill this role and we will update the market as appropriate.

Current Trading

In the first 8 weeks of the new financial year trading has strengthened with like-for-like sales growth of 3.2%.

Like-for-like sales	Current Trading 8 weeks to 21 November	FY09 52 weeks to 26 September
Total	3.2%	1.6%
Food	5.9%	3.1%
Drink	2.0%	1.8%
Residential	4.4%	2.5%
High street	Flat	(0.2)%

Like-for-like food and drink sales were up 5.9% and 2.0% respectively with a strong performance in residential pub food sales. The High Street segment has been resilient with sales flat on last year. Net margin percentage has improved compared to the same period last year.

Outlook

Trading in the new financial year has started well, supported by a recent small upturn in consumer confidence. Inflationary cost pressures are currently more stable and less severe than last year with total regulatory and inflationary costs in the full year expected to increase by around £20m inclusive of the benefit of energy costs declining by some £10m. Against this, our efficiency and productivity improvements continue, supported by process and infrastructure developments from which we are aiming to achieve savings of around £20m this year.

Current trading is underpinning the performance in the first half of the financial year however the outlook for the second half is uncertain. It is clear that at a macro level some of the factors that are assisting performance may turn negative in the second half. In particular the outlook for disposable income and consumer confidence could be dampened if VAT and other taxes were to rise. Notwithstanding this, Mitchells & Butlers' strong brands, excellent sites and good operational skills leave the business well positioned.

Notes:
Retail results exclude the impact of SCPD
* market data from BBPA, AC Nielsen and NPD Crest
** before exceptional items
*** property, plant and equipment

There will be a presentation for analysts and investors at 9.30am at the JP Morgan Cazenove Auditorium, 20 Moorgate, London, EC2R 6DA. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone by dialling 0845 401 9097 or from outside the UK +44(0) 20 3037 9221, quote "Mitchells & Butlers", the replay will be available until 10/12/2009 on +44(0) 20 8196 1998 replay access pin 5171284#.

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

The preliminary announcement for the 52 week period ended 26 September 2009 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principle accounting policies applied in the preparation of this preliminary announcement are consistent with those described in the 2008 annual report and accounts available within the investors section of the company's Web site: www.mbplc.com

These preliminary statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. They have, however, been extracted from the statutory accounts for the 52 week period ended 26 September 2009 on which an unqualified report has been made by the company's auditors.

The 2008 statutory accounts have been filed with Registrar of Companies. The 2009 statutory accounts will be sent to shareholders in due course and will be filed with Registrar of Companies, following their adoption at the forthcoming annual general meeting.

For further information, please contact:

Erik Castenskiold	0121 498 6513
James Murgatroyd (Finsbury Group)	0207 251 3801

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 over 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.
- 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 8 weeks to 21 November 2009 95% of the estate is included in this measure.

CHIEF EXECUTIVE'S BUSINESS REVIEW

The eating-out and drinking-out markets combined are worth some £72bn. The two main trends that are impacting these markets are:

1. The growing appeal of eating-out

The eating-out market has doubled in value over the past two decades to be worth £43bn. Growing wealth, increasing distribution, and a number of social factors, particularly the increase in the proportion of working women which now stands at 70% of the adult female population, up from 56% in 1971, have all contributed to this growth. In the past year the eating-out market has declined, as it did in the 1991 down-turn. However, we expect the market to return to long-term growth as the UK economy emerges from recession.

2. The declining appeal of drinking-out

In contrast, the drinking-out market is worth some £29bn and has been static in value terms over the last 5 years, with annual volume decreases of 4% being off-set by price increases of a corresponding size. This trend is particularly true of beer, the largest drinks category, accounting for over half the on-trade drinks market. The on-trade beer market has declined in value terms by 0.7% per annum since 2004, despite price rises of 4% over the same period, resulting in annual volume decline of almost 5%. In contrast the off-trade has reduced its beer prices by 1.9% per annum and seen annual volume growth of 2.5%.

Segmenting the market

Mitchells & Butlers believes the two key dynamics of the eating and drinking out markets to be the consumer occasion and consumer income levels. Our research suggests that there are a number of drink only occasions that vary along a spectrum, broadly defined by energy levels. These range from a quiet drink, through week-end nights out, to higher energy special occasions. There is a similar spectrum of food led occasions, ranging from a pragmatic alternative to cooking, through to celebrations. Income levels are also important. The top 30% of the UK population by income account for 53% of the entire eating-out and drinking-out market. In contrast, the bottom 30% account for just 11% of the market. Although income does not explain all elements of the market, it is a useful proxy for understanding different attitudes to price and quality trade offs. Income also offers an insight into the different ways the UK population is currently responding to the downturn. Income is therefore one of the dimensions around which Mitchells & Butlers re-organised its operation in September 2009.

New channel operating structure

We have adopted a new structure of three channels based around the affluence levels of our customers, namely Value, Suburban and City & Country. In the Value channel, price is a vital component of the market. The average food spend per head is £4.76 and the main competition is staying at home. At these price points, service efficiency is vital to deliver profit. In contrast, in the City & Country channel the competition is other pubs and restaurants where food quality and service levels are the critical component of the offer. This is reflected in average food spend per head within this channel of £9.94. The Suburban channel is positioned in the mid market where a strong price offer is important mid-week but evenings and weekends require a more premium positioning.

To sustain our sales growth within the market we have refined our value and volume strategy to ensure that these differing notions of value are being satisfied appropriately across the eating and drinking out market. With some of the very best brands and formats in the sector we aim to create value by improving the profitability of these brands through our existing pubs, but we will also be seeking to expand the distribution of our key brands on an individual pub & restaurant basis, as and when opportunities present themselves.

The key elements of the strategy are:

Leading the eating-out market
Over the last decade our understanding of the UK market combined with our operational skills have helped us to take advantage of the increase in demand for eating-out and thereby to exploit profitably its long-term growth. We have developed menus combining both quality and value whilst at the same time investing in our kitchen capacity which has helped us more than double food volumes in the decade and made food the largest product in our sales mix. In the last financial year, we have increased our relative outperformance of the eating-out market to 10 percentage points with same outlet like-for-like food volume growth of 7% against a pub eating-out market down approximately 3%.

Generate significant drinks market share gains
The rapid volume decline in the on-trade drinks market has lessened in the second half of the year, partly as a result of a slight reduction in the rate of supermarkets' aggressive drinks discounting. However, the major on-trade market product categories are still all in decline with beer and cider volumes down 6%; wines down 5%; spirits down 5% and soft drinks down 2%. This decline is particularly reflected in pubs with poor amenity and limited food capability.

Against this challenging background Mitchells & Butlers has performed well. Our wine and soft drinks have remained in volume growth. Our spirits volume declines were materially better than those of the on-trade market; and in beer and cider, volumes have been held flat, thanks in large part to like-for-like cask ale volumes up 20% at a time when the on-trade beer market has continued to be in decline.

Evolving a portfolio of styles of pubs to drive sales
Mitchells & Butlers has a track record of developing and evolving its offers to keep pace with changing consumer expectations. This has enabled us to build long-term brands such as Toby (37 years), Vintage Inns (17 years), O'Neill's (14 years), and All Bar One (14 years) and then to evolve them to ensure that they remain fresh and relevant to our customers. More recently, formats such as Crown Carveries and Premium Country Dining have been rolled out and we now have 111 and 57 pub restaurants respectively trading in these formats.

We are achieving sales uplifts of over 35% on the pre-acquisition levels of the 44 pub restaurant sites acquired from Whitbread in September 2008. This, following the successful integration of our larger acquisition in 2006, further demonstrates the effectiveness and strength of our offers.

Extract volume-driven efficiencies
A key element in our trading strategy is targeting the best combination of price, volume and mix, to generate profitable growth. Our operational focus is on maximising the cash received after direct costs. Therefore, as a result of retail sales growth of 3.4% and despite the inflationary cost pressures, cash gross margins were up 1.3%.The key effect of our pricing strategy was to sustain volume growth in food, which in turn helped to generate a return to drinks sales growth for the first time since before the smoking ban.

Overall volume growth enables purchasing synergies and cost efficiencies to be achieved, enhancing profitability. For example in the year, our purchasing team have held our like-for-like food cost of goods inflation to £11 million, below that of the general food cost inflation. In addition, during the year we have increased contribution per labour hour by 5.2%, serving 14 million more main meals and 3 million more drinks with 700,000 fewer staff hours.

Extend the skill base of excellence throughout the estate
We continue to attract and train exceptional people looking to develop their career in licensed retailing and currently employ over 40,000 people throughout the estate. This allows us to support the delivery of our strategy through continually improving the operational capability of the business.

At the pub level, training is conducted with all new staff, as well as specific on-going coaching to improve bar and floor service productivity, and increase staff product knowledge. In addition, in support of our food growth strategy, our staff have undertaken over 1,400 NVQs during the year, predominantly related to the training of new chefs. Furthermore, in January a new, purpose-built kitchen skills academy was opened in Watford providing a dedicated, state of the art training facility. This focus is a central factor behind our overall staff turnover rate improving by 24 percentage points to 92% in the year, one of the best in the pub industry.

Actively manage the estate to maximise value
In a pub market suffering from a dearth of capital investment in both maintenance and new product development, our continued capital investment in our pubs is giving us further competitive advantage and supporting our market share gains.

In addition to the completion of the conversion to our brands of the 44 pub restaurant sites acquired from Whitbread in September 2008, we have targeted our capital expenditure on the key areas of the business, prioritised in conjunction with customer feedback. We have therefore focused on carrying out 1,260 refurbishments with spends of £40k or below. In addition, during the year we have spent an average of £79k on 575 larger projects, increasing amenity levels and supporting the growth of the business. This targeted approach has sustained our high amenity levels and supported the sales growth in the business.

FINANCIAL REVIEW

Summary

Despite the challenging economic conditions, Mitchells & Butlers delivered 1.6% like-for-like sales growth in the year with both food and drink categories in good growth against their markets. Cost management is a key focus and productivity gains have once again been strong. The management of cash resources continues to be important with capital investment concentrated on maintaining the amenity of the estate as well as targeting expansionary capital that delivers the best returns.

Group Results

In the year the Group delivered strong like-for-like sales growth and continued market outperformance in both drink and food sales. Total revenue for the year was £1,958m, up 2.6% on last year. This includes the first full year of ownership of the 44 pubs acquired in the swap deal with Whitbread in September 2008 and a slight dilution from disposals made during the year. Despite further operational efficiencies, profits were down against last year due to substantial increases in food, energy and regulatory costs. Retail operating profit was £300m compared to £332m last year.

Like-for-like sales growth in the Residential estate was 2.5%, showing the strength of the Company's brands and the good demand for value-for-money food and drink offers in these areas. On the High Street, sales were robust given the intense pressure on this sector from the declines in the late evening market.

Like-for-like sales	Same Outlet
Residential	2.5%
High Street	(0.2%)
Total	1.6%

Mitchells and Butlers is well positioned to benefit from a market more focussed on value and quality than ever before. The growth of our mass-market offers such as Crown Carveries and Sizzling Pub Co. that have main meal prices below £4, together with the strong performance of our mid-market and higher-end pubs has enabled the company to deliver same outlet like-for-like food and drink sales up 3.1% and up 1.8% respectively in the year.

On an uninvested basis, which excludes pubs that received investment above their normal maintenance cycle, like-for-like sales were up 0.8%.

Based on our ongoing pricing strategy to drive value and volume throughout the business, average food spend per head including mix and range changes was down 3.7% whilst drink prices were up 2.1% (in like-for-like pubs excluding VAT). Like-for-like food volumes were up 7.1% against the pub eating-out market which was down 3% (Source: Crest data, the NPD Group). Like-for-like beer and cider volumes were flat against a market down 6% (Source: BBPA).

Other sales excluding drink and food were down 8.7% on a like-for-like basis, driven by pressure on accommodation, machine and bowling sales. However, machine sales have improved considerably since the review of stakes and prizes towards the end of the financial year.

There has been continuing pressure in the year on the gross margin percentage which was down 1.5 percentage points. This was particularly as a result of food inflation and duty increases as well as the swap of higher gross margin lodge assets for the 44 Whitbread pubs.

There were an additional £30m of regulatory costs caused by increases in the National Minimum Wage, holiday pay regulations, business rates and exceptional alcohol duty increases. A further £24m of incremental cost was driven by increases in energy rates and food cost of goods. Partially offsetting these, our continued focus on improving productivity resulted in £20m of savings. Staff productivity of 5.2% was achieved in the year and there were significant gains from menu engineering, waste reduction and energy efficiency. As a result of these factors, employment costs rose marginally to 24.3% of sales and Retail operating margin before exceptional items fell by 2.2% points to 15.3%.

Capital expenditure in the year was £122m, of which £86m was invested to maintain the high levels of amenity in the pubs and in the continuing development and evolution of our brands and formats. The remaining £36m was spent on expansionary projects including £21m on the conversion of the 44 pubs swapped with Whitbread to our brands and formats. The return on capital spent over the last two years was 13%, which is lower than the returns in recent years due to the inflationary cost pressures, however is significantly higher than our cost of capital. The 44 converted Whitbread pubs achieved sales uplifts of over 35% against the level prior to acquisition, well ahead of our targets. During the year, 4 new pubs opened and 15 existing pubs were converted to one of our brands or formats to uplift their sales and profits.

We have also achieved disposals worth £72m in the period. These have been at high pub EBITDA multiples of around 11 times, in a market which is more challenging but where there are still opportunities to create value.

In the second half of the year the Company merged the management and operations of the Pubs & Bars and Restaurants divisions to operate the business as one division through three different channels. A divisional split is shown below as this structure was in operation for the majority of the year. Going forward we will not report operating profit by channel but on a one company basis. We will continue to provide food & drink and Residential & High Street sales information.

Pubs & Bars

	FY 2009	**Growth**
Revenue	£958m	0.4%
Operating profit*	£159m	(9.7)%
Same outlet like-for-like sales		1.7%

* Before exceptional items

Pubs & Bars delivered revenue growth of 0.4%. The division continued to achieve market share gains in drink and food sales as a result of our high levels of amenity, wide product range and value-for-money positioning, in contrast with many of our competitors. Food sales in the year were up 7.7% driven by strong growth in a number of formats, most notably O'Neill's, Scream, Metropolitan Professionals and our Town Pubs estate.

Pubs & Bars' operating profit before exceptional items of £159m was down 9.7% with operating margin decreasing by 1.8% to 16.6%, impacted by the regulatory cost increases and price rises in food and energy.

There were 1,065 pubs in the Pubs & Bars division at the end of the period.

Restaurants

	FY 2009	**Growth**
Revenue	£999m	6.4%
Operating profit*	£141m	(9.6)%
Same outlet like-for-like sales		1.5%

* Before exceptional items

The Restaurants division has successfully integrated and converted the 44 pubs swapped with Whitbread into our brands and formats and total revenue growth was up 6.4%. Food growth was especially strong in some of our newer brands such as Crown Carveries and Miller & Carter.

Restaurants' operating profit before exceptional items of £141m was down 9.6% against last year. Operating margin was down 2.5 percentage points to 14.1% as these pubs are more acutely impacted by the increases to food and energy costs as well as slowing accommodation sales. There were also significant pre-opening and closure costs relating to the recently converted Whitbread pubs.

There were 816 managed pubs in the Restaurants division at the end of the period.

Property

The Group has, in accordance with its accounting policy, reviewed the value of the estate. The property value of £4.5bn reflects the downward adjustment of 2.3% or £106m, mainly driven by reductions within Hollywood Bowl, the Lodge business, late evening pubs and venues and a small number of drink focussed pubs where food development is limited. This

will be reflected as a £52m downwards valuation adjustment and a £71m impairment charge in the income statement with a net £17m revaluation uplift reported as a reserves movement.

Exceptional items and other adjustments

Exceptional items and other adjustments are separately disclosed in order to aid the readers' understanding of the Group's underlying trading. Exceptional items are those which do not form part of the core operations of the Group, or which are sufficiently large to warrant separate disclosure in order to facilitate comparisons with earlier trading periods. Other adjustments include certain non-cash adjustments, which are prone to volatility as they are driven by movements in market values, including the net pensions finance charge and, in the prior year, hedge ineffectiveness relating to the swaps closed out in the period. The Board focuses on performance measures which exclude these items in order to aid comparisons of underlying performance year on year.

A net loss of £8m was made on asset disposals in the year, with pub disposals made at a small loss to book value and additional losses on other non-pub disposals.
Interest rate swaps, retained in 2008 following the proposed property joint venture as an intended hedge against cash flows arising from part of the Group's unsecured debt, were closed out in May 2009 crystallising a loss of £95m. This resulted from the ongoing illiquidity in the debt markets which meant that it was unlikely that the Group would be able to utilise these swaps within a medium-term or longer-term facility in the near future. The movement in the fair value of these swaps charged to the income statement in the period was £55m. There are no swaps remaining on the Group's balance sheet relating to the proposed property joint venture.

An exceptional pension credit of £44m was recognised as a result of the introduction of a 2% cap per annum on the increase in salary used to calculate retirement benefits. We now adjust underlying profits to remove the volatile, non-cash, net finance charge from pensions, which was £6m in the period and a £3m credit in the prior year.

Provisions of £16m have been released in 2009 relating to tax matters which have been settled, principally relating to demerger costs and qualifying capital expenditure. In addition, £4m of interest arising on the settlement of prior year tax matters has been received in the period.

Total exceptional items and other adjustments reduced profits by £144m (£92m after tax).

Finance costs and revenue

Finance costs during the year were £167m before exceptional items and other adjustments, £7m lower than the same period last year reflecting the decreasing levels of medium-term debt in the business. Finance revenue of £1m before exceptional items and other adjustments was achieved on the Group's cash balances, £6m lower than the same period last year due to a significant reduction in short term interest rates on cash deposits. We anticipate an interest cost on the Group's net debt during the current year of approximately 6.2%.

Taxation

The tax charge for the year was £38m before exceptional items and IAS 39 movements. This is an effective rate of 28% of profit before tax. We expect this rate to increase in the current year to a more normal rate for the Group of 29%.

Earnings per share

Earnings per share were 23.6p before exceptional items and other adjustments, a decrease of 23.9%. Earnings per share were 1.0p after exceptional items and other adjustments caused largely by the loss on the closure of the financial hedge and the property valuation adjustment.

Dividends

As stated previously, the Board is currently targeting the Group's cash flow generation on reducing debt levels, thereby increasing capital appreciation for shareholders. The Board will not resume dividend payments until the borrowings on our unsecured facility are comfortably below £300m.

Cash flow and net debt

The continued focus on cash generation to restore the strength of the company's balance sheet has resulted in net debt reducing by £135m during the year and by over £300m since the high point in February 2008. The ratio of net debt to EBITDA has remained broadly stable at 6.1 times.

A core part of the company's financing is a three-year unsecured facility to November 2011. At 26 September 2009 the value of this facility was £550m and drawings on it were £383m. During the year, the company renegotiated the terms of this facility and after the year end date accelerated the reduction in the facility limit to £475m to reduce interest costs. The facility step downs are as follows:

Commencing after	Facility Limit (£m)
30 September 2009	475
30 June 2010	425
31 December 2010	338

The facility matures in November 2011.

The Group's operations continue to be highly cash generative. Cash flow from operations was £426m before net capital expenditure and exceptional items but after £24m of additional pension contributions.

The total cash outflow on capital expenditure of £129m was significantly lower than the £193m spent in the prior year, largely due to the conclusion of the conversion of the 239 pubs bought from Whitbread in 2006 to our brands and formats. This was offset by £72m of disposals, with net cash flow relating to capital expenditure and disposals of £57m.

Net interest paid of £160m was £4m lower than last year as a result of debt levels being paid down. £4m was received as result of the exercise of share options. Net tax receipts of £21m were received compared to payments of £4m in the prior year driven by £7m from the settlement of prior year issues and £14m from tax credits from the losses on hedging arrangements. As a result, there was a decrease in net debt arising from cash inflows of £213m before exceptional cash outflows of £93m and cash tax credits of £21m.

Net debt has been reduced from £2,735m on 27 September 2008 to £2,600m on 26 September 2009, comprising of securitised debt of £2,319m, non-securitised other borrowings and finance leases of £388m and cash balances within the securitisation of £107m.

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.

KEY PERFORMANCE INDICATORS

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 robust like-for-like sales growth compared with the prior year of 1.6% in FY 2009 (1.0% in FY 2008). The increase in this trajectory is notable given the challenging recessionary trading conditions which the business has faced over the year.

2. EPS growth - Operating profit before exceptional items in FY 2009 was down 12.5% on the previous year as a result of increased food, energy and regulatory costs and a one-off profit of £11m from our property development division in FY 2008. As a result of increased interest costs in relation to the unsecured medium-term facility earnings per share before exceptional items and other adjustments declined by 23.9% to 23.6p per share (decrease of 11.3% in FY 2008).

3. CROCCE in excess of WACC - Mitchells & Butlers aims to maximise the difference between the post-tax CROCCE and its WACC. A CROCCE of 9.8% after tax was achieved in the 52 weeks to 26 September 2009, ahead of the estimated 6% WACC for the year, reflecting good operating performance supported by an efficient use of the balance sheet. (CROCCE was 10.6% after tax in the 52 weeks to 27 September 2008, around four to five percentage points ahead of our estimated WACC for that year.)

4. Incremental return on expansionary capital - The performance in this area has been strong and remains well above our cost of capital. Pre-tax returns of 13% are being achieved on the expansionary capital projects carried out over the last two years (10% on the same basis at FY 2008).

The basis of KPI calculation will be included within the 2009 Annual Report and Accounts.

GROUP INCOME STATEMENT
For the 52 weeks ended 26 September 2009

	2009 52 weeks		2008 52 weeks	
	Before exceptional items and other adjustments £m	**Total £m**	Before exceptional items and other adjustments £m	Total £m
Revenue	**1,958**	**1,958**	1,908	1,908
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	**(1,530)**	**(1,486)**	(1,431)	(1,443)
Net (loss)/profit arising on property disposals	**-**	**(8)**	-	6
EBITDA[a]	**428**	**464**	477	471
Depreciation, amortisation and movements in the valuation of the property portfolio	**(128)**	**(251)**	(134)	(340)
Operating profit	**300**	**213**	343	131
Finance costs	**(167)**	**(222)**	(174)	(379)
Finance revenue	**1**	**5**	7	7
Net finance (charge)/income from pensions	**-**	**(6)**	-	3
Profit/(loss) before tax	**134**	**(10)**	176	(238)
Tax (expense)/credit	**(38)**	**14**	(51)	62
Profit/(loss) for the financial period attributable to equity holders of the parent	**96**	**4**	125	(176)
Earnings/(loss) per ordinary share				
Basic	**23.6p**	**1.0p**	31.0p	(43.7)p
Diluted	**23.5p**	**1.0p**	30.6p	(43.7)p
Dividends				
Ordinary dividends				
Proposed or paid (pence)		**-**		4.55
Proposed or paid (£m)		**-**		18

a. Earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio

Exceptional items and other adjustments are analysed in note 3.

All activities relate to continuing operations.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 52 weeks ended 26 September 2009

	2009 52 weeks £m	2008 52 weeks £m
Unrealised gain/(loss) on revaluation of the property portfolio	**17**	(166)
Tax (charge)/credit relating to movements in respect of revaluations	**(12)**	64
Losses on cash flow hedges taken to equity	**(88)**	(20)
Actuarial losses on defined benefit pension schemes	**(174)**	(35)
Exchange differences on translation of foreign operations	**1**	5
Tax on items recognised directly in equity	**75**	5
Expense recognised directly in equity	**(181)**	(147)
Transfers to the income statement:		
On cash flow hedges	**(11)**	(30)
Tax on items transferred from equity	**3**	8
Net expense recognised directly in equity	**(189)**	(169)
Profit/(loss) for the financial period	**4**	(176)
Total recognised expense for the financial period attributable to equity holders of the parent	**(185)**	(345)

GROUP BALANCE SHEET
26 September 2009

	2009 £m	2008 £m
ASSETS		
Goodwill and other intangible assets	**1**	3
Property, plant and equipment	**4,461**	4,545
Lease premiums	**10**	10
Deferred tax asset	**87**	58
Derivative financial instruments	**6**	1
Total non-current assets	**4,565**	4,617
Inventories	**38**	39
Trade and other receivables	**40**	80
Current tax asset	**-**	3
Cash collateral deposits	**2**	2
Cash and cash equivalents	**105**	129
Total current assets	**185**	253
Non-current assets held for sale	**19**	114
Total assets	**4,769**	4,984
LIABILITIES		
Borrowings	**(59)**	(43)
Derivative financial instruments	**(50)**	(48)
Trade and other payables	**(270)**	(276)
Current tax liabilities	**(1)**	-
Total current liabilities	**(380)**	(367)
Borrowings	**(2,660)**	(2,801)
Derivative financial instruments	**(60)**	(33)
Pension liabilities	**(130)**	(23)
Deferred tax liabilities	**(542)**	(584)
Provisions	**-**	(1)
Total non-current liabilities	**(3,392)**	(3,442)
Total liabilities	**(3,772)**	(3,809)
Net assets attributable to equity holders of the parent	**997**	1,175
EQUITY		
Called up share capital	**35**	34
Share premium account	**17**	14
Capital redemption reserve	**3**	3
Revaluation reserve	**703**	697
Own shares held	**(2)**	(3)
Hedging reserve	**(87)**	(16)
Translation reserve	**13**	12
Retained earnings	**315**	434
Total equity	**997**	1,175

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 26 September 2009

	2009 52 weeks £m	2008 52 weeks £m
Cash flow from operations	**426**	474
Interest paid	**(161)**	(171)
Interest received	**1**	7
Tax received/(paid)	**21**	(4)
Exceptional interest on tax credits	**4**	-
Net cash from operating activities	**291**	306
Investing activities		
Purchases of property, plant and equipment	**(128)**	(192)
Purchases of intangibles (computer software)	**(1)**	(1)
Proceeds from sale of property, plant and equipment	**31**	82
Proceeds from disposal of non-current assets held for sale	**41**	-
Transfers to cash collateral deposits	**-**	(2)
Corporate restructuring costs	**-**	(3)
Net cash used in investing activities	**(57)**	(116)
Financing activities		
Issue of ordinary share capital	**4**	-
Purchase of own shares	**-**	(5)
Proceeds on release of own shares held	**-**	3
Repayment of principal in respect of securitised debt	**(45)**	(41)
(Repayment of)/proceeds from principal in respect of other borrowings	**(120)**	320
Expenditure associated with refinancing	**(2)**	(11)
Derivative financial instruments closure costs	**(95)**	(386)
Dividends paid	**-**	(58)
Net cash used in financing activities	**(258)**	(178)
Net (decrease)/increase in cash and cash equivalents	**(24)**	12
Cash and cash equivalents at the beginning of the financial period	**129**	117
Cash and cash equivalents at the end of the financial period	**105**	129

Cash and cash equivalents are defined in note 11.

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 2006. 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 26 September 2009. The comparative period is for the 52 week period ended 27 September 2008. The respective balance sheets have been drawn up to 26 September 2009 and 27 September 2008.

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 = €1.15 (2008 £1 = €1.31), 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 = €1.09 (2008 £1 = €1.26) and £1 = $1.60 (2008 £1 = $1.84) respectively.

2. **SEGMENTAL ANALYSIS**

During the year the Group had 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.

	2009 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Revenue						
Sales to third-parties	958	999	1,957	1	-	1,958
Operating profit						
Operating profit before exceptional items and other adjustments	159	141	300	-	-	300
Exceptional items and other adjustments	(89)	(42)	(131)	-	44	(87)
Operating profit	70	99	169	-	44	213
Net finance costs						(223)
Tax credit						14
Profit for the financial period						4

	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 and other adjustments	176	156	332	11	-	343
Exceptional items and other adjustments	(134)	(66)	(200)	-	(12)	(212)
Operating profit	42	90	132	11	(12)	131
Net finance costs						(369)
Tax credit						62
Loss for the financial period						(176)

3. **EXCEPTIONAL ITEMS AND OTHER ADJUSTMENTS**

	Notes	**2009 52 weeks £m**	2008 52 weeks £m
Operating exceptional items			
Strategic review costs	a	**-**	(12)
Exceptional pension credit	b	**44**	-
Profits on disposal of properties		**10**	19
Losses on disposal of properties		**(18)**	(13)
Net (loss)/profit arising on property disposals		**(8)**	6
Movements in the valuation of the property portfolio			
- Revaluation adjustments	c	**(52)**	-
- Impairment arising from the revaluation	c	**(66)**	(160)
- Impairment arising on classification of non-current assets held for sale	c	**(5)**	(46)
Total movements in the valuation of the property portfolio		**(123)**	(206)
Total operating exceptional items		**(87)**	(212)
Exceptional finance costs and revenue			
Total cost of derivative financial instruments closed out in the period	d	**(95)**	(386)
Less: amounts charged against profit in prior periods	d	**40**	204
Movement in fair value of derivative financial instruments closed out in the period	d	**(55)**	(182)
Exceptional interest on tax credits	e	**4**	-
Total exceptional finance costs		**(51)**	(182)
IAS 39 movements	f	**-**	(23)
Net pensions finance (charge)/income (note 13)	f	**(6)**	3
Other adjustments	f	**(6)**	(20)
Total exceptional items and other adjustments before tax		**(144)**	(414)
Tax credit relating to above items		**36**	87
Exceptional tax released in respect of prior years	e	**16**	14
Tax credit in respect of change in tax legislation	e	**-**	12
		52	113
Total exceptional items and other adjustments after tax		**(92)**	(301)

a. Professional fees incurred in connection with the Group's review of strategic options for value creation.
b. Relates to the impact of pension changes introduced in the period.
c. Movements in the value of the property portfolio includes £52m of valuation adjustments, £66m of impairment arising from the Group's revaluation of its pub estate and £5m of impairment against assets transferred to non-current assets held for sale, where the expected net sale proceeds are less than the book value.
d. Total cost of derivative financial instruments closed out in the period represents the total cost of terminating the derivative financial instruments closed out in May 2009 and January 2008. Amounts charged against profit in prior periods are the movements in the values of these instruments charged to profit through exceptional finance costs – including IAS 39 movements in 2008 and 2007. Deducting these gives the movement in the fair value of the derivatives closed out, charged against profit in the current period.
e. Represents the release of provisions relating to tax matters which have been settled principally relating to corporate transaction costs and qualifying capital expenditure. In addition £4m of interest arising on the settlement of prior year tax matters has been received in the period. A tax credit of £12m arose in the

prior year on the release of deferred tax on hotel assets following legislative changes.

f. IAS 39 movements and the net pensions finance charge are non cash adjustments which are excluded from adjusted profit.

All exceptional items relate to continuing operations.

4. FINANCE COSTS AND REVENUE

	2009 52 weeks £m	2008 52 weeks £m
Finance costs		
Securitised and other debt	**(167)**	(174)
Exceptional finance costs		
- movement in fair value of derivative financial instruments closed out in the period	**(55)**	(182)
IAS 39 movements [a]	**-**	(23)
	(55)	(205)
	(222)	(379)
Finance revenue		
Interest receivable	**1**	7
Exceptional interest on tax credits	**4**	-
	5	7
Net finance (charge)/income from pensions	**(6)**	3

a. IAS 39 movements represent the movements during the period in the fair value of the Group's derivative financial instruments which do not qualify for hedge accounting. These were terminated in January 2008 and May 2009.

5. TAX EXPENSE

	2009 52 weeks £m	2008 52 weeks £m
Tax charged in the income statement		
Current tax credit:		
UK corporation tax	**-**	1
Amounts overprovided in previous years	**(8)**	(16)
Total current tax	**(8)**	(15)
Deferred tax:		
Origination and reversal of temporary differences	**2**	(36)
Adjustments in respect of prior years	**(8)**	1
Change in tax legislation	**-**	(12)
Total deferred tax	**(6)**	(47)
Total tax credited in the income statement	**(14)**	(62)

	2009 52 weeks £m	2008 52 weeks £m
Tax on items recognised directly in equity		
Unrealised (profit)/losses due to revaluations	**(12)**	64
Actuarial losses on pension schemes	**49**	10
Share-based payments	**1**	(11)
Derivative financial instruments	**28**	14
Total tax credit on items recognised directly in equity	**66**	77

6. DIVIDENDS

	2009 52 weeks £m	2008 52 weeks £m
Amounts paid and recognised in equity		
In respect of the 52 weeks ended 29 September 2007 - 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

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 406m (2008 403m), 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 (2008 408m).

Adjusted earnings per ordinary share amounts are presented before exceptional items (see note 3), IAS 39 movements (see note 4) and the net pensions charge (see note 13), 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 26 September 2009:			
Profit for the period	4	1.0 p	1.0 p
Exceptional items, net of tax	88	21.7 p	21.6 p
IAS 39 movements, net of tax	-	-	-
Net pensions finance charge, net of tax	4	0.9p	0.9 p
Adjusted profit/EPS	96	23.6p	23.5 p
52 weeks ended 27 September 2008:			
Loss for the period	(176)	(43.7)p	(43.7)p[a]
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
Net pensions finance income, net of tax	(2)	(0.5)p	(0.5)p
Adjusted profit/EPS	125	31.0 p	30.6 p

a. The 2008 diluted EPS per ordinary share is unchanged from the basic EPS as the inclusion of the dilutive potential ordinary shares would reduced the loss per share and is therefore not dilutive in accordance with IAS 33 ‘Earnings per Share’.

8. **NET ASSETS**

	2009 52 weeks					
	Pubs & Bars £m	**Restaurants £m**	**Retail Total £m**	**SCPD £m**	**Unallocated £m**	**Total £m**
Net assets						
Assets	2,188	2,366	4,554	14	-	4,568
Liabilities	(132)	(137)	(269)	(1)	-	(270)
Segmental net assets	2,056	2,229	4,285	13	-	4,298
Net debt					(2,600)	(2,600)
Other unallocated liabilities[a]					(701)	(701)
					(3,301)	997
Other						
Capital expenditure	50	72	122	-	-	122
Depreciation and amortisation	62	66	128	-	-	128

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

	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[a]					(603)	(603)
					(3,338)	1,175
Other						
Capital expenditure	95	172	267	-	-	267
Depreciation and amortisation	67	67	134	-	-	134

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

9. CASH FLOW FROM OPERATIONS

	2009 52 weeks £m	2008 52 weeks £m
Operating profit	**213**	131
Add back: operating exceptional items	**87**	212
Operating profit before exceptional items	**300**	343
Add back:		
Depreciation of property, plant and equipment	**124**	129
Amortisation of intangibles (computer software)	**3**	4
Amortisation of lease premiums	**1**	1
Cost charged in respect of share-based payments	**3**	4
Defined benefit pension cost less regular cash contributions	**(5)**	(2)
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**426**	479
Movements in working capital and pension contributions:		
Decrease/(increase) in inventories	**1**	(1)
Decrease/(increase) in trade and other receivables	**31**	(7)
(Decrease)/increase in trade and other payables	**(7)**	39
Movement in provisions	**(1)**	-
Additional pension contributions (note 13)	**(24)**	(24)
Cash flow from operations before exceptional items	**426**	486
Strategic review costs	**-**	(12)
Cash flow from operations	**426**	474

10. NET CASH FLOW

	2009 52 weeks £m	2008 52 weeks £m
Operating profit before exceptional items	**300**	343
Depreciation and amortisation	**128**	134
EBITDA before exceptional items [a]	**428**	477
Working capital movement	**24**	31
Other non-cash items	**(2)**	2
Additional pension contributions	**(24)**	(24)
Cash flow from operations before exceptional items	**426**	486
Net capital expenditure [b]	**(57)**	(111)
Cash flow from operations before exceptional items and after net capital expenditure	**369**	375
Strategic review costs	**-**	(12)
Cash flow from operations after net capital expenditure	**369**	363
Interest paid	**(161)**	(171)
Interest received	**1**	7
Tax received/(paid)	**21**	(4)
Exceptional interest on tax credits	**4**	-
Dividends paid	**-**	(58)
Issue of ordinary share capital	**4**	-
Purchase of own shares	**-**	(5)
Proceeds on release of own shares held	**-**	3
Expenditure associated with refinancing	**(2)**	(11)
Derivative financial instruments closure costs	**(95)**	(386)
Corporate restructuring costs	**-**	(3)
Net cash flow	**141**	(265)

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.

11. ANALYSIS OF NET DEBT

	2009 £m	2008 £m
Cash and cash equivalents	**105**	129
Cash collateral deposits	**2**	2
Securitised debt	**(2,331)**	(2,339)
Other borrowings	**(386)**	(504)
Derivatives hedging balance sheet debt [a]	**12**	(22)
Finance leases	**(2)**	(1)
	(2,600)	(2,735)

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

Cash and cash equivalents
Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and in hand of £104m (2008 £79m) plus cash deposits with an original maturity of three months or less of £1m (2008 £50m).

Cash collateral deposits
Cash collateral deposits 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 Ltd. 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. 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% (2008 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**

	2009 **52 weeks** **£m**	2008 52 weeks £m
Net (decrease)/increase in cash and cash equivalents	**(24)**	12
Add back cash flows in respect of other components of net debt:		
Transfers to cash collateral deposits	**-**	2
Repayment of principal in respect of other loans	**-**	2
Repayment of principal in respect of securitised debt	**45**	41
Repayment of/(proceeds of) issue of other borrowings	**120**	(322)
Decrease/(increase) in net debt arising from cash flows ('Net cash flow')	**141**	(265)
Capitalised debt issue costs	**(6)**	9
Decrease/(increase) in net debt	**135**	(256)
Opening net debt	**(2,735)**	(2,479)
Closing net debt	**(2,600)**	(2,735)

13. PENSIONS

Group income statement	**2009 £m**	2008 £m
Operating profit:		
Current service cost (defined benefit plans)	**(10)**	(13)
Current service cost (defined contribution plans)	**(2)**	(2)
Exceptional pension credit	**44**	-
Credit/(charge) to operating profit	**32**	(15)
Finance income:		
Expected return on pension scheme assets	**73**	79
Interest on pension scheme liabilities	**(79)**	(76)
Net finance (charge)/income in respect of pensions	**(6)**	3
Total credit/(charge)	**26**	(12)

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

	2009 £m	2008 £m
Equities	**467**	359
Bonds	**800**	814
Property	**13**	38
Fair value of assets	**1,280**	1,211
Present value of scheme liabilities	**(1,410)**	(1,234)
Deficit in the schemes recognised as a liability in the balance sheet	**(130)**	(23)
Associated deferred tax asset	**36**	6

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

	Net deficit	
	2009 £m	2008 £m
At beginning of period	**(23)**	(18)
Current service cost	**(10)**	(13)
Exceptional pension credit (note 3)	**44**	-
Interest cost on benefit obligations	**(79)**	(76)
Expected return on plan assets	**73**	79
Contributions	**39**	40
Actuarial loss recognised	**(174)**	(35)
	(130)	(23)

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. **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 at market value, as at 26 September 2009 and 27 September 2008 by Colliers CRE plc, independent chartered surveyors and by Andrew Cox MRICS, Director of Property, Chartered Surveyor.

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