MITCHELLS & BUTLERS PLC
LEI no: 213800JHYNDNB1NS2W10

2 July 2020

HALF YEAR RESULTS

(For the 28 weeks ended 11 April 2020)

Highlights
- Strong operational performance demonstrated before lockdown
- Rapid and effective action taken to protect guests and team members and to reduce costs
- New financing arrangements provide security and flexibility
- Experience of German business provides clear path for re-opening
- Well positioned to benefit from recovery on re-opening

Reported results
- Total revenue of £1,039m (HY 2019 £1,186m)
- Operating (loss)/profit of £(51)m (HY 2019 £140m)
- (Loss)/profit before tax of £(121)m (HY 2019 £75m)
- Basic (loss)/earnings per share of (25.0)p (HY 2019 14.3p)

Trading results
- First half trading includes nearly four weeks of enforced closure due to Covid-19
- Like-for-like sales[a] growth of 0.9% before closure remained consistently ahead of the market[b]
- Adjusted operating profit[a] £108m (HY 2019 £151m)
- Adjusted earnings per share[a] 7.2p (HY 2019 16.1p)

Balance sheet and cash flow
- Unsecured committed financing facilities extended by £100m to total £250m to 31 December 2021
- Capital investment of £82m (HY 2019 £90m), including 2 new site openings and 166 conversions and remodels (HY 2019 208)
- Cash flow of £58m (HY 2019 £23m)
- Full property valuation and impairment review undertaken resulting in an overall decrease in book value of £524m
- Net debt of £2.2bn including £543m of lease liabilities following adoption of IFRS 16

Phil Urban, Chief Executive, commented:

"The business was performing very well before the enforced closure in response to Covid-19, building on the strengths of our estate of mainly freehold properties, our diversified and well-loved brands and our team's industry leading operational skills. These assets, coupled with our early experience of re-opening in Germany, give us a clear plan for re-opening and ensure that we are well placed to continue to bring people and communities together and to keep Mitchells & Butlers at the forefront of the eating and drinking-out market."

Definitions

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

b – As measured by the Coffer Peach business tracker.

There will be a conference call held today at 8:30am accessible by phone on 0203 936 2999, access code: 471216, slides will be available on the website at www.mbplc.com. The replay will be available until 16 July 2020 on 0203 936 3001, access code: 174438.

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

For further information, please contact:

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

CURRENT TRADING AND OUTLOOK

On 12 June we announced that we had extended our unsecured financing facilities by £100m to total £250m, and that temporary terms have been agreed with bondholders to avoid technical breaches which would have occurred due to forced closure. These arrangements provide stability and flexibility for the group to navigate these uncertain times and provide sufficient liquidity to survive a delay in re-opening beyond our current expectation of early July.

We continue to be focused on emerging from the Covid-19 induced crisis in a position of strength with the intention of continuing to build the business and outperforming the industry.

At this time the business remains closed under government guidance to limit the spread of Covid-19. Uncertainty remains over a number of important variables, including the re-opening profile of our sites, the social distancing measures which will need to be in place and the strength of consumer demand. As such we do not feel it is currently meaningful to give forward guidance.

These financial statements have been prepared under the going concern basis, the specific considerations in reaching this assessment can be found in note 1 to the financial statements.

BUSINESS REVIEW

The first half of the financial year has been dominated by the enforced closure of the estate in response to the Covid-19 outbreak.

On 16 March the government advised the public to not attend busy places, including pubs and restaurants, in order to limit the spread of the virus. This led to a sharp and immediate reduction of like-for-like sales. Then, on 20 March, the government announced a directive to close all pubs and restaurants with immediate effect as measures to slow the spread of the virus increased. The first half therefore includes four weeks of either mandated closure or government guidance not to visit pubs and restaurants.

Before Covid-19 we had enjoyed a strong start to the year. Like-for-like sales[a] growth of 2.6% in the first quarter had been followed by a period of softer sales due to the stormy weather, but we remained c.1% ahead of the market[b] and continued to see the beneficial impact of our Ignite programme of work. Stronger margins, better labour control and tighter cost management had resulted in operating profit growth and we had just started to refresh the range of Ignite initiatives, such that we were confident of a strong finish to the year.

We closed all our businesses immediately on the evening that lockdown was announced to protect our team and our guests. Established communication channels were set in motion to ensure that we could keep the whole team updated during what was a period of confusion and concern for everyone. In keeping with our values, we maintained an honest and open style to all communication and carefully considered our options in the light of the developing situation, including emerging details on government support.

We swiftly set up a closedown team to instigate a structured approach to closing the businesses and to minimise losses. Stock loss was an immediate issue and so as to reduce the impact, perishable items were sold directly from sites or donated through our established relationship with the charity Fareshare. In total we were able to donate 11.5 tonnes of food, equivalent to 27,500 meals, to vulnerable communities which would otherwise have gone to waste. Cash floats, including those in amusement machines were banked, full stock counts were taken, and each business was physically secured for a prolonged period of closure.

The rapid closure presented significant challenges in terms of managing and mitigating the profit and cash flow impact of lost revenue. A number of measures were taken from the outset of the crisis to protect the business including putting over 99% of our employees on furlough with basic pay for all employees including the Board reduced to between 60% to 80% of normal pay, depending on seniority. We quickly reduced operating costs to the minimum required to keep the estate secure, safe and in good condition and maintained strong control of working capital. All discretionary capital expenditure was halted, including our development programme, and all temporary contracts have been cancelled.

Throughout the closure period our central communications team have worked hard to keep team members connected and informed, including the launch of a new support portal which can be accessed from mobile devices, and which includes regularly updated FAQs, our Employee Assistance Programme, wellbeing resources and volunteering opportunities. Social media platforms have also been used to create inclusive groups across all of our team members, from sites and the head office, to share positive and engaging content and ideas. The welfare and mental health of our team has been a primary concern, particularly for those colleagues who have isolated alone, and we have been encouraged in the way the business has pulled together at this difficult time.

We have had a skeleton team working throughout lockdown, including a field-based team that have maintained the businesses, responding to break-ins and emergency call outs. A structured cadence of meetings throughout the week has helped to keep everyone informed, as Covid-19 policy and the industry response has developed. Mitchells & Butlers has played a full role in the UK Hospitality led forums that have helped to devise the Hospitality Sector Protocols Document that the government issued for the sector, and we continue to lobby government directly to ensure that we, and the sector, get the support we need to protect jobs once we re-open and then re-build.

We are working to an early July date for English sites to re-open, with Wales and Scotland following over the next two weeks and have developed a detailed re-opening plan for the business. Each site will have clear directional and spacing signage to explain and help maintain social distancing; sanitising stations; disposable menus; table spacing; capacity management where possible through our online booking engines; a cashless-first approach (and in some businesses cashless-only); and new brand specific Covid-19 safe service cycles such as vegetables being served in Toby Carvery, as opposed to the usual self-serve model. We have also worked hard to ensure that our team can both be and feel safe at work, including new protocols for deliveries, and where appropriate for take-away food collection. Key to these measures is the government guidance on the necessary distance between people, clearly a 1-metre distance will allow for significantly higher capacity and will impact the extent of adaptations to service cycles required.

Our German business, Alex, re-opened through mid to late May, affording us valuable insight into the challenges and opportunities ahead, and we are encouraged that sales levels have grown each week since re-opening. City centre sites have been the slowest to recover, but conversely some suburban businesses have generated days of year on year growth. From the 1st July, VAT on food in Germany will drop from 19% to 7% for a year, and on all other categories, from 19% to 16%, through the rest of the calendar year. We are therefore confident that the business will recover quickly, as the impact of Covid-19 subsides.

OUR STRATEGIC PRIORITIES

The fundamental strengths of our business remain. We have a well-known and diversified brand portfolio, an 83% freehold estate in strong locations, an experienced and proven management team and, going forward, we intend to continue to build on the momentum previously gained. In the short to medium term, our focus will be on successfully re-opening the business in the current challenging environment, ensuring the safety of our team members and guests, and on growing the business back to, and beyond, the levels of trade that we were enjoying before the pandemic.

Our Ignite programme of work remains at the core of our long-term growth plans and we had recently refreshed the initiatives and opportunities available to us. Our immediate focus will be on the successful rebuilding of trade following this period of closure and we will be prioritising the shorter-term initiatives that have a quick impact on the business, such as sales driving initiatives. We remain confident of our ability to deliver long term and sustained efficiencies and business improvements through the existing Ignite programme and will be working to refine and roll out the new initiatives once the business is trading well again.

Principal risks and uncertainties – Covid-19

We continually monitor and assess the principal risks and uncertainties of the business and operating environment. Given the way in which Covid-19 has rapidly altered the environment in which we trade we note the new risks and uncertainties we now face in addition to the previously identified risks detailed on pages 40 to 44 in our FY 19 Annual Report:

Social distancing measures

Risk: We support the need for social distancing measures to reduce the spread of Covid-19. While social distancing measures are in place the capacity of our businesses will be reduced, impacting the offer to our guests and the financial model of our operations. Given the unknown nature of the virus the duration of distancing measures is uncertain.

Controls / mitigating activity: We will apply a risk assessment to each of our businesses and only re-open those which we believe can operate under the new guidelines. For the pubs and restaurants which we can re-open we will adapt the format and practices of our sites to ensure that the distancing guidelines provided by the government can be adhered to, protecting both team members and guests. We will take measures to protect the financial health of the business whilst operating at reduced capacity and continue to closely manage the cash position of the group. We will continuously review the latest guidelines and continue to adapt our business operations in response in an agile manner.

Consumer behaviour

Risk: As pubs and restaurants re-open, consumers may have a different mindset to eating out, with health and safety at the forefront of priorities. Guests may want greater insight into practices, and food supply chain information to feel confident in their eating our experience. Equally some consumers may not heed the measures put in place to restrict the spread of the virus, potentially putting our team members and other guests at risk.

Controls / mitigating activity: Our priority is to protect our team members and guests, providing an eating out experience which can be enjoyed. We have very strong health and safety practices already in place in our businesses, which we will enhance and evolve to tackle the challenges we now face. We will be transparent with guests as to these measures such that they can trust in us.

FINANCIAL REVIEW

On a statutory basis, loss before tax for the half year was £(121)m (HY 2019 profit of £75m), on sales of £1,039m (HY 2019 £1,186m).

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

	Statutory		Adjusted[a]	
	HY 2020 £m	**HY 2019 £m**	**HY 2020 £m**	**HY 2019 £m**
Revenue	1,039	1,186	1,039	1,186
Operating (loss)/profit	(51)	140	108	151
(Loss)/profit before tax	(121)	75	38	86
(Loss)/Earnings per share	(25.0)p	14.3p	7.2p	16.1p
Operating margin	(4.9)%	11.8%	10.4%	12.7%

At the end of the period, the total estate comprised 1,745 sites in the UK and Germany of which 1,674 are directly managed.

Changes in accounting policies

These are the first set of accounts the Group has published since the adoption of IFRS 16 (Leases). As a result of adopting the modified retrospective (asset equals liability) method, prior year comparatives have not been restated. A full impairment review of the right-of-use assets has been completed on transition to the new standard with the resulting impairment, net of any reversal of onerous lease provisioning, presented as an adjustment to opening reserves. Further details are included in note 13 to the financial statements.

The main impact of the adoption of this new standard on our financial statements, which should accrue evenly across the year, is as follows. On the balance sheet, recognition of a right of use asset of £466m and a lease liability of £543m. On the full year income statement; an uplift in EBITDA of c.£50m (through lower rental costs) and a reduction in pre-tax profits (after increased depreciation and interest charges) of c.£8m, reducing basic earnings per share by 1.5p.

Revenue

Total revenue of £1,039m was 12.4% lower than last year due to the government directive to close all sites on 20 March in response to the Covid-19 outbreak.

As at week 24, the last full week of trading before closure to 14 March, like-for-like sales[a] grew by 0.9% with food sales[a] up by 1.3% and drink sales[a] up by 0.3%. The Group had a strong first quarter to week 14, with a particularly strong festive season. The second quarter from weeks 15 to 24 was truncated by enforced closure of all sites on 20 March 2020 and includes the negative impact of the storms and resulting flooding throughout the UK in February followed by a sharp decline in sales due to early restrictions put in place in response to the Covid-19 pandemic.

Like-for-like sales[a] growth:	**Weeks 1 – 14 FY 2020**	**Weeks 15-24 FY2020**	**Weeks 1 – 24 FY 2020**
Food	3.0%	(1.3%)	1.3%
Drink	1.8%	(2.1%)	0.3%

Total	2.6%	(1.7%)	0.9%

Separately disclosed items

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

A charge of £11m was recognised for costs directly associated with the Covid-19 pandemic, which relate primarily to the disposal or donation of short dated food and drink stock items as a result of the government enforced closure of pubs.

A £148m charge is recognised relating to valuation and impairment of properties, comprising a £130m charge relating to downward valuation movements on freehold and long leasehold sites, a £2m impairment charge on short leasehold and unlicensed properties and a £16m charge for impairment of right-of-use assets. The majority of these movements are a direct result of Covid-19 and the perceived trading environment present at the reporting date. With all pubs closed at the half year, assumptions reflect the impact of no sales during temporary closure and multiples have also been reduced to reflect uncertainty and an absence of observable comparable transactions at that time.

Operating profit and margins[a]

Adjusted operating profit[a] of £108m was 28.5% lower than last year. The period included a little over three weeks of enforced closure of all sites. After the completion of closedown activity, across the estate and central functions, over 99% of the Group's employees were subsequently furloughed under the Coronavirus Job Retention Scheme and all non-essential costs eliminated.

Statutory operating margin of (4.9)% was 16.7ppts lower than last year, materially impacted by the closure period and valuation and impairment reviews. Adjusted operating margin[a] for the half was 2.3ppts lower than last year at 10.4%.

Interest

Net finance costs of £68m for the half year were £7m higher than last year reflecting an additional £10m recognised in respect of interest on lease liabilities due to IFRS16 adoption.

The net pensions finance charge was £2m (HY 2019 £4m), the charge for the full year is expected to be £3m.

Earnings per share

Basic (loss)/earnings per share, after the separately disclosed items described above, were (25.0)p (HY 2019 14.3p). Adjusted earnings per share[a] were 7.2p, 55.3% lower than last year. The weighted average number of shares in the period was 428m and the total number of shares issued at the balance sheet date was 429m.

Cash flow

	HY 2020 £m	HY 2019 £m
EBITDA before separately disclosed items[a]	193	217
Non-cash share-based payment and pension costs	2	4
Operating cash flow before adjusted items, movements in working capital and additional pension contributions	**195**	**221**
Working capital movement	(34)	32
Pension deficit contributions	(25)	(24)
Cash flow from operations before adjusted items	**136**	**229**
Cash flow from adjusted items	(11)	(1)
Capital expenditure	(82)	(90)
Interest	(61)	(55)
Tax	(16)	(17)
Disposal proceeds	-	1
Other	(1)	(1)
Principal portion of lease liability	(12)	-
Revolving credit facility	150	-
Net cash flow before bond amortisation	103	66
Mandatory bond amortisation	(45)	(43)
Net cash flow before dividends	**58**	**23**

The business generated £193m of EBITDA before separately disclosed items[a].

Working capital movement is summarised as; an increase in trade receivables of £10m, the majority of which relates to Coronavirus Job Retention Scheme monies due, offset in part by the absence of business rates prepayment, following the announcement of government Covid-19 support for businesses; a decrease in trade and other payables of £30m, primarily a reduction in accruals and VAT liability following the loss of sales in the last three weeks of the period and; a decrease in inventories of £6m which is the direct result of Covid-19 and the enforced closure of pubs and restaurants.

Capital expenditure of £82m relates to investment projects undertaken before the capital programme was suspended in light of the Covid-19 business closure.

Following the adoption of IFRS16, leases are now included in net debt resulting in a corresponding presentational increase in book gearing of approximately 70 bps. Book debt at the half year was £2,158m, including lease liabilities of £543m.

Capital expenditure

Capital expenditure of £82m comprises £79m from the purchase of property, plant and equipment and £3m in relation to the purchase of intangible assets.

The investment programme was suspended in March as part of the cash management strategy in response to Covid-19, with only essential spend being undertaken after that event.

Given the closure, into the second half of the financial year, we do not believe it will be possible to calculate a current and meaningful return on investment as all sites are impacted by closure. This will be particularly so for those that have not been trading for a full year.

	HY 2020		HY 2019	
	£m	**#**	**£m**	**#**
Maintenance and infrastructure	**26**		**30**	
Remodels – refurbishment	41	138	43	182
Remodels – expansionary	2	5	4	11
Conversions	10	23	8	13
Acquisitions – freehold	2	1	-	-
Acquisitions – leasehold	1	1	5	2
Total return generating capital expenditure	**56**	**168**	**60**	**208**
Total capital expenditure	**82**		**90**	

Property

The mandatory closure of pubs and restaurants due to the Covid-19 pandemic is considered to be an indicator of impairment of property, plant and equipment. As a result, a directors' revaluation has been completed of the freehold and long leasehold properties at the half year, although it has not been possible to physically visit sites. In addition, an impairment review has been performed for the short leasehold properties and right-of-use assets. Further details of the assumptions applied are detailed in note 8.

The overall property portfolio valuation has decreased by £524m, reflecting a £132m separately disclosed net impairment charge in the income statement and a £392m net decrease in the revaluation reserve. We believe that this represents a reasonable valuation, based on perceived market conditions at the balance sheet date but note the high degree of uncertainty at that time, shortly following enforced shutdown of all sites in the hospitality sector, coupled with an absence of observed comparable transactions.

Pensions

The Group continues to make pension deficit payments as agreed as part of the triennial pensions valuation with the schemes' Trustee at 31 March 2019, which showed an actuarial deficit of £293m. It was agreed that the deficit would continue to be funded by cash contributions of £49m per annum indexed to 2023. However, the Group has agreed with the Trustee that the contributions into the Mitchells & Butlers Pension Plan and the Mitchells & Butlers Executive Pension Plan would be suspended in respect of the monthly contributions in respect of April, May and June 2020 and those contributions have been added onto the end of the agreed recovery plan so that those contributions will be payable in 2023. In 2024 an additional payment of £13m will be made into escrow, should such further funding be required at that time.

In light of the Covid-19 outbreak it has been mutually agreed by the Trustee and the Group that the trial of the Trustee's application to court concerning the power to determine the rate of inflation to be applied to pension increases for certain sections of the membership in excess of guaranteed minimum pensions, be adjourned until mid-2021.

Net debt and facilities

Debt within the Group securitisation arrangements is subject to quarterly testing on both a rolling half and full year basis. Following consideration of the impact of the Covid-19 pandemic and the enforced closure of all the Group's businesses from 20 March 2020 it was concluded that, in a highly uncertain environment, the Group was at risk of being in breach of a number of covenants within these debt arrangements through the second half and into next year. As such, alternative and revised arrangements have subsequently been agreed both with the controlling creditor and with trustee of the securitisation and the Group's main unsecured banks. These arrangements, which include extension to the existing term of unsecured facilities, the provision of an additional £100m of unsecured liquidity and waivers for anticipated covenant defaults, are summarised in note 15 on post balance sheet events and note 1 on going concern.

Further details can be found at https://www.mbplc.com/infocentre/debtinformation/.

Going Concern

The outbreak of Covid-19 during the first half of the year casts a high degree of uncertainty as to the future financial performance and cash flows of the group. The implications of this, and particularly the enforced shutdown of all the Group's sites from 20 March 2020, have been considered by the directors in assessing the ability of the Group to continue as a going concern. Further detail is provided in note 1 to the financial statements.

Both before and after the enforced shutdown urgent action was taken to protect access to liquidity, by drawing in full unsecured facilities of £150m, and to protect the business through limiting cash outflows, including: cancelling all discretionary capital expenditure, furloughing of over 99% of the workforce, where possible reaching agreement with suppliers and other creditors on extended payment terms, and the elimination of all non-essential operating expenses.

Subsequently agreement was reached with the Group's main creditors on a number of new arrangements which provide a platform of additional liquidity and improved financial flexibility for the Group in order to meet the challenge presented by Covid-19. These included extension of the term of existing unsecured facilities and the raising of an additional £100m of unsecured facilities to the same date, to give a total of £250m committed unsecured facilities available to the group until 31st December 2021.

In addition, within the securitisation, a number of concessions have been agreed including waiver against default on financial covenant breaches, up to July 2021 for the six month look-back test and to September 2021 for the twelve month look-back test, and the ability to access further liquidity for debt service costs of up to £100m through drawing the liquidity facility within the securitisation.

At the date of approval of these interim results the Group has cash on hand of £100m and undrawn committed facilities totalling £150m. When closed and under full furlough arrangements, the four week EBITDA loss (including rent) totals £15m with a cash outflow before debt service costs over the four week period of £30m to £35m after payment of legacy supplier balances. The two main uncertainties in the year ahead are considered to be the duration of the enforced shutdown and the subsequent strength of recovery as sites re-open. To that end revised financial arrangements, outlined above, have been assessed against a base case, in which the majority of sites re-open in July 2020 (being the current expectation), and a severe but plausible downside case where no sites open before October 2020. In both cases sales are assumed to take nine months to build back up to prior year levels.

After due consideration of these factors the directors believe that they have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the 12 months from the date of approval of these financial statements, and therefore continue to adopt the going concern in their preparation.

Director's responsibility statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as required by DTR 4.2.4R and to the best of their knowledge gives a true and fair view of the information required by DTR 4.2.4R;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 28 weeks and description of principal risks and uncertainties for the remaining 24 weeks of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

This responsibility statement was approved by the Board of Directors on 1 July 2020 and is signed on its behalf by:
Tim Jones

Chief Financial Officer
1 July 2020

Definitions

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

GROUP CONDENSED INCOME STATEMENT

for the 28 weeks ended 11 April 2020

		2020 28 weeks (Unaudited)		2019 28 weeks (Unaudited)		2019 52 weeks (Audited)	
	Notes	**Before separately disclosed items[a] £m**	**Total £m**	Before separately disclosed items[a] £m	Total £m	Before separately disclosed items[a] £m	Total £m
Revenue	3	**1,039**	**1,039**	1,186	1,186	2,237	2,237
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio and right-of-use assets		**(846)**	**(857)**	(969)	(988)	(1,801)	(1,820)
Net profit arising on property disposals		**-**	**-**	-	1	-	1
EBITDA[b]		**193**	**182**	217	199	436	418
Depreciation, amortisation and movements in the valuation of the property portfolio and right-of-use assets		**(85)**	**(233)**	(66)	(59)	(119)	(121)
Operating profit/(loss)		**108**	**(51)**	151	140	317	297
Finance costs	5	**(69)**	**(69)**	(62)	(62)	(114)	(114)
Finance revenue	5	**1**	**1**	1	1	1	1
Net pensions finance charge	5,11	**(2)**	**(2)**	(4)	(4)	(7)	(7)
Profit/(loss) before tax		**38**	**(121)**	86	75	197	177
Tax (charge)/credit	6	**(7)**	**14**	(17)	(14)	(38)	(34)
Profit/(loss) for the period		**31**	**(107)**	69	61	159	143
Earnings/(loss) per ordinary share:	7						
Basic		**7.2p**	**(25.0)p**	16.1p	14.3p	37.2p	33.5p
Diluted		**7.2p**	**(24.8)p**	16.0p	14.2p	37.1p	33.3p

a Separately disclosed items are explained and analysed in note 4.

b Earnings/(loss) before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio and right-of-use assets.

All results relate to continuing operations.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the 28 weeks ended 11 April 2020

	Notes	**2020 28 weeks £m (Unaudited)**	2019 28 weeks £m (Unaudited)	2019 52 weeks £m (Audited)
(Loss)/profit for the period		**(107)**	61	143
Items that will not be reclassified subsequently to profit or loss:				
Unrealised (loss)/gain on revaluation of the property portfolio	8	**(392)**	-	84
Remeasurement of pension liabilities	11	**5**	17	15
Tax credit/(charge) relating to items not reclassified	6	**42**	(3)	(18)
		(345)	14	81
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		-	(1)	-
Cash flow hedges:				
- Losses arising during the period		**(13)**	(28)	(81)
- Reclassification adjustments for items included in profit or loss		**21**	18	23
Tax credit relating to items that may be reclassified	6	**4**	2	10
		12	(9)	(48)
Other comprehensive (expense)/income after tax		**(333)**	5	33
Total comprehensive (expense)/income for the period		**(440)**	66	176

GROUP CONDENSED BALANCE SHEET

11 April 2020

	Notes	**2020 11 April £m (Unaudited)**	2019 13 April £m (Unaudited)	2019 28 September £m (Audited)
ASSETS				
Goodwill and other intangible assets	8	**15**	12	14
Property, plant and equipment	8	**4,029**	4,448	4,528
Lease premiums[a]		**-**	1	1
Right-of-use assets[a]	13	**435**	-	-
Interests in associates		**5**	5	5
Lease receivable[a]		**17**	-	-
Deferred tax asset[a]		**77**	61	66
Derivative financial instruments	12	**50**	41	53
Total non-current assets		**4,628**	4,568	4,667
Inventories		**20**	28	26
Trade and other receivables[a]		**63**	56	63
Current tax asset		**4**	-	-
Other cash deposits	9	-	120	-
Cash and cash equivalents	9	**191**	145	133
Derivative financial instruments	12	**1**	4	3
Assets held for sale		-	13	-
Total current assets		**279**	366	225
Total assets		**4,907**	4,934	4,892
LIABILITIES				
Pension liabilities	11	**(51)**	(49)	(50)
Trade and other payables[a]		**(293)**	(344)	(327)
Current tax liabilities		-	(7)	(12)
Borrowings		**(251)**	(237)	(95)
Lease liabilities[a]	13	**(52)**	-	-
Derivative financial instruments	12	**(37)**	(36)	(36)
Total current liabilities		**(684)**	(673)	(520)
Pension liabilities	11	**(137)**	(183)	(165)
Borrowings		**(1,605)**	(1,699)	(1,657)
Lease liabilities[a]	13	**(491)**	-	-
Derivative financial instruments	12	**(257)**	(217)	(266)
Deferred tax liabilities		**(248)**	(283)	(301)
Provisions[a]		**(3)**	(42)	(36)
Total non-current liabilities		**(2,741)**	(2,424)	(2,425)
Total liabilities		**(3,425)**	(3,097)	(2,945)
Net assets		**1,482**	1,837	1,947
EQUITY				
Called up share capital		**37**	37	37
Share premium account		**28**	26	26
Capital redemption reserve		**3**	3	3
Revaluation reserve		**918**	1,197	1,267
Own shares held		**(4)**	(1)	(4)
Hedging reserve		**(238)**	(210)	(250)
Translation reserve		**14**	13	14
Retained earnings[a]		**724**	772	854
Total equity		**1,482**	1,837	1,947

a During the period, the Group has adopted IFRS 16 which requires lease liabilities and corresponding right-of-use assets to be recognised on the balance sheet. The Group has adopted IFRS 16 using the modified retrospective approach. As a result, prior year comparatives have not been restated. See note 13 for details of transitional impact.

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 11 April 2020

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Own shares held £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	**Total equity £m**
At 29 September 2018 (Audited)	37	26	3	1,197	(1)	(202)	14	695	1,769
Profit for the period	-	-	-	-	-	-	-	61	61
Other comprehensive (expense)/income	-	-	-	-	-	(8)	(1)	14	5
Total comprehensive (expense)/income	-	-	-	-	-	(8)	(1)	75	**66**
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	**2**
At 13 April 2019 (Unaudited)	**37**	**26**	**3**	**1,197**	**(1)**	**(210)**	**13**	**772**	**1,837**
Profit for the period	-	-	-	-	-	-	-	82	**82**
Other comprehensive income/(expense)	-	-	-	70	-	(40)	1	(3)	**28**
Total comprehensive income/(expense)	-	-	-	70	-	(40)	1	79	**110**
Purchase of own shares	-	-	-	-	(3)	-	-	-	**(3)**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Tax on share-based payments	-	-	-	-	-	-	-	2	**2**
At 28 September 2019 (Audited)	**37**	**26**	**3**	**1,267**	**(4)**	**(250)**	**14**	**854**	**1,947**
IFRS 16 transition[a]	-	-	-	-	-	-	-	(24)	**(24)**
At 29 September 2019	37	26	3	1,267	(4)	(250)	14	830	**1,923**
Loss for the period	-	-	-	-	-	-	-	(107)	**(107)**
Other comprehensive (expense)/income	-	-	-	(349)	-	12	-	4	**(333)**
Total comprehensive (expense)/income	-	-	-	(349)	-	12	-	(103)	**(440)**
Share capital issued	-	2	-	-	-	-	-	-	**2**
Purchase of own shares	-	-	-	-	(3)	-	-	-	**(3)**
Release of own shares	-	-	-	-	3	-	-	(3)	-
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Tax on share-based payments	-	-	-	-	-	-	-	(1)	**(1)**
At 11 April 2020 (Unaudited)	**37**	**28**	**3**	**918**	**(4)**	**(238)**	**14**	**724**	**1,482**

a During the period, the Group has adopted IFRS 16 which requires lease liabilities and corresponding right-of-use assets to be recognised on the balance sheet. The Group has adopted IFRS 16 using the modified retrospective approach. As a result, prior year comparatives have not been restated. See note 13 for details of transitional impact.

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 11 April 2020

	Notes	**2020 28 weeks £m (Unaudited)**	2019 28 weeks £m (Unaudited)	2019 52 weeks £m (Audited)
Cash flow from operations				
Operating (loss)/profit		**(51)**	140	297
Add back: adjusted items	4	**159**	11	20
Operating profit before adjusted items		**108**	151	317
Add back:				
Depreciation of property, plant and equipment	8	**61**	64	116
Amortisation of intangibles		**2**	2	3
Depreciation of right-of-use assets	13	**22**	-	-
Cost charged in respect of share-based payments		**1**	2	3
Administrative pension costs	11	**1**	1	3
Operating cash flow before adjusted items, movements in working capital and additional pension contributions		**195**	220	442
Decrease/(increase) in inventories		**6**	(2)	-
Increase in trade and other receivables		**(10)**	-	(9)
(Decrease)/increase in trade and other payables		**(30)**	36	25
Decrease in provisions		**-**	(1)	(7)
Additional pension contributions	11	**(25)**	(24)	(49)
Cash flow from operations before adjusted items		**136**	229	402
Cash flow from adjusted items		**(11)**	(1)	-
Interest paid		**(55)**	(57)	(113)
Interest received		**-**	1	2
Cash payments for the interest portion of lease liabilities		**(6)**	-	-
Tax paid		**(16)**	(17)	(25)
Net cash from operating activities		**48**	155	266
Investing activities				
Purchases of property, plant and equipment		**(79)**	(88)	(147)
Purchases of intangible assets		**(3)**	(2)	(5)
Proceeds from sale of property, plant and equipment		**-**	1	14
Transfers from other cash deposits		**-**	-	120
Net cash used in investing activities		**(82)**	(89)	(18)
Financing activities				
Issue of ordinary share capital		**2**	-	-
Purchase of own shares		**(3)**	-	(3)
Repayment of principal in respect of securitised debt	10	**(45)**	(43)	(87)
Repayment of liquidity facility		**-**	-	(147)
Cash payments for the principal portion of lease liabilities		**(12)**	-	-
Drawdown of unsecured revolving credit facilities	10	**150**	-	-
Net cash from/(used in) financing activities		**92**	(43)	(237)
Net increase in cash and cash equivalents	10	**58**	23	11
Cash and cash equivalents at the beginning of the period		**133**	122	122
Cash and cash equivalents at the end of the period		**191**	145	133

Cash and cash equivalents are defined in note 9.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Basis of preparation
This interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union.

The information for the 52 weeks ended 28 September 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. This interim financial information should be read in conjunction with the Annual Report and Accounts 2019.

It is normal practice for the Company to request its auditor to complete a review of interim financial information. However, as a result of the enforced closure of all pubs and restaurants across England, Scotland and Wales, as announced by the Government on 20 March 2020 in response to the Covid-19 pandemic, the interim financial information has not been reviewed by the Company's auditor pursuant to the Auditing Practices Board guidance on review of 'Interim Financial Information'.

Going concern
The outbreak of Covid-19 during the first half of the year casts a degree of uncertainty as to the future financial performance and cash flows of the Group. The implications of this, and particularly the enforced shutdown of all of the the Group's sites from 20 March 2020, have been considered by the Directors in assessing the ability of the Group to continue as a going concern.

The Group's primary source of borrowings is through a secured financing structure made up of ten tranches of fully amortising loan notes with a gross debt value of £1.6bn. These are secured against the majority of the Group's property and its future income streams. The principal repayment period varies by class of note with maturity dates ranging from 2023 to 2036 but at an aggregate annual debt service cost of c£200m. Interest rate and exchange rate fluctuations have largely been fixed with currency and interest rate swaps which qualify for hedge accounting under IFRS 9: *Financial Instruments.* Within the structure the Group maintains a Liquidity Facility of £295m, which is a condition within the securitisation documents.

At the start of the financial period the Group also had available £150m of unsecured revolving credit facilities (£50m bilateral facilities from each of Barclays, Santander and HSBC) with a maturity date of 31 December 2020, along with £15m of overdraft and uncommitted money market facilities. None of these were drawn at the start of the financial period.

Following consideration of the impact and uncertainty of the Covid-19 pandemic, and particularly the enforced closure of all the Group's sites from 20 March 2020, it was likely that the Group would require waivers for potential breaches of a number of covenants within these debt arrangements and would need access to additional cash liquidity to provide greater resilience given the highly uncertain outlook.

Alternative and revised arrangements have subsequently been agreed, summarised as follows.

With the consent of the controlling creditor of the securitisation (Ambac) and the scheme Trustee (HSBC):

- a further waiver of, and amendment to, the 30 day suspension of business provision, where the suspension has arisen because of the enforced closure during the Covid-19 pandemic;

- a waiver of the six month look-back debt service coverage ratio test up until July 2021 and a waiver of the 12 month look-back debt service coverage ratio test up until September 2021;

- a waiver of the requirement to appoint a financial adviser which would otherwise have arisen for any periods where the debt service coverage ratio falls to below the required level;

- a reduction in the minimum amount required to be spent on capital maintenance during the remainder of this, and the next, financial years arising from the business having been temporarily suspended; and

1. GENERAL INFORMATION (CONTINUED)

- a waiver to facilitate drawings of up to £100m in total under the Liquidity Facility providing the Group with additional facilities in order to meet payments of principal and interest, provided such drawings are repaid in full at the end of March 2021.

In order to secure such amendments and waivers, the Group gave certain undertakings in relation to its own financing arrangements, namely, to put in place the £250m committed unsecured liquidity facilities referred to below, and an undertaking to provide funding into the securitisation of up to £100m in line with drawings on the Liquidity Facility.

By agreement with the Group's unsecured relationship banks:

- Extension of the term of the £150m bilaterals to 31 December 2021
- The provision of an additional £100m of liquidity, also to 31 December 2021, backed by the government Coronavirus Large Business Interruption Loan Scheme.

Both before and after the enforced shutdown urgent action was taken to both protect access to liquidity, by drawing in full unsecured facilities of £150m, and to protect the business through limiting cash outflows, including: cancelling all discretionary capital expenditure, furloughing of over 99% of the workforce, where possible reaching agreement on extended payment terms, and the elimination of all non-essential operating expenses.

At the date of approval of these interim results the Group has cash on hand of £100m and undrawn committed facilities totalling £150m. When closed and under full furlough arrangements the four week EBITDA loss (including rent) totals £15m with a cash outflow of £30m to £35m after payment of legacy supplier balances. The two main uncertainties in the year ahead are considered to be the duration of the enforced shutdown and the subsequent strength of recovery of sales as sites re-open. The latter will depend on a number of factors including consumer demand and the detail and evolution of social distancing measures that will then be adopted. To that end revised financial arrangements, outlined above, have been assessed against a base case and a downside case. In the base case scenario the majority of the Group sites re-open for trading in July 2020, as currently expected. Levels of trade are anticipated to rebuild towards reaching the prior year levels by the end of the first half next year. Under this scenario the Directors consider that the Group will continue to operate within its committed facilities, and covenants, with sufficient headroom.

The Directors have also reviewed a severe but plausible downside scenario which assumes that closure of the full estate continues for over six months, until early October 2020. During this time the Group is assumed to continue benefit from Government assistance principally in the form of relief from business rates for the year to April 2021 (reducing annual costs by c£100m) and from access to the Job Retention Scheme (on varying terms as relief is tapered beyond July). On re-opening, trade levels are assumed to build back over a nine month period to reach 90% of prior year trade by the important festive trading season and 100% by July 2021. Under this scenario the Group is also able to stay within revised committed facility financial covenants and maintains sufficient liquidity.

At this time of uncertainty we shall continue to review mitigating activities and the full range of funding options as required, to strengthen liquidity and to maximise the commercial opportunities for the Group. After due consideration of these factors the Directors believe that, having secured the revised financial arrangements outlined above, they have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the 12 months from the date of approval of these condensed financial statements, and therefore continue to adopt the going concern in their preparation.

Accounting policies

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2019, other than the adoption of the new accounting standards set out below.

New standards and interpretations

The Group has initially adopted IFRS 16 Leases from 29 September 2019. A number of other new standards were effective from 29 September 2019, but they do not have a material impact on the Group's accounts.The impact of implementing IFRS 16 is shown in note 13.

1. GENERAL INFORMATION (CONTINUED)

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees and sets out the principles for recognition, measurement, presentation and disclosure of leases. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets, and lease liabilities representing its obligation to make lease payments. In contrast to lessee accounting, lessor accounting under IFRS 16 is largely unchanged.

Given the number of leases and historical data requirements to adopt the full retrospective approach, the Group has applied the modified retrospective approach with assets equal to liabilities, at transition. As a result, there is no requirement to restate prior period information.

The Group as lessee

The Group has applied the practical expedient available on transition to IFRS 16, not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered into or modified before 29 September 2019. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a remaining lease term of 12 months or less and do not contain a purchase option, or are lease contracts for which the underlying asset is of low value.

Where a lease is identified, the Group recognises a right-of-use asset and a corresponding lease liability. The lease liability is measured at the present value of the lease payments, using the lessee’s incremental borrowing rate specific to term, country, currency and remaining lease term as the discount rate, if the rate implicit in the lease is not readily determinable. Lease payments include fixed payments, less any lease incentives receivable, and variable lease payments that depend on an index or rate, with these being initially measured using the index or rate at the commencement date. Any variable lease payments that do not depend on an index or rate, are recognised as an expense in the period in which the event or condition that triggers the payment occurs. The lease liability is presented as a separate line in the Consolidated Balance Sheet, split between current and non-current liabilities.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is re-measured with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate, a change in lease term e.g. lease extension, or a change in the Group’s assessment of whether it is reasonably certain to exercise or not exercise a break option.

At the interim date the Group has applied the practical relief available during the Covid-19 pandemic, which provides lessees with relief from applying lease modification accounting to Covid-19 related rent concessions.

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any re-measurement of lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset’s useful life or the lease term on a straight-line basis. Right-of-use assets are subject to and reviewed regularly for impairment. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16, there is a lease-by-lease transition choice whereby a lessee can take a practical expedient to rely on assessments immediately before the date of initial application of whether leases are onerous under the IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” definition, and to adjust the right-of-use asset by this amount. Alternatively, the new requirements under IFRS 16 can be applied and the right-of-use asset is tested for impairment in accordance with IAS 36 “Impairment of Assets”. The Group has considered this on a lease by lease basis with a transitional impairment review taken on a number of leases.

1. GENERAL INFORMATION (CONTINUED)

The transitional impairment review has resulted in an impairment charge of £66m which is presented as an opening reserves adjustment, net of the reversal of onerous lease provisions no longer required (see note 13). This impairment predominantly resulted from the application of different discount rates in line with the applicable accounting standards. The onerous contract provisions previously recognised in accordance with IAS 37 and the IFRS 16 lease liability calculations both use lower discount rates such as a risk-free or incremental borrowing rate. However, on adoption of IFRS 16 and recognition of right-of-use assets, these assets are tested for impairment under IAS 36 which uses a market participants rate. The application of these standards and changes in discount rates have caused an impairment on numerous right-of-use lease assets.

The Group recognises lease payments in relation to short term leases and low value assets as an operating expense on a straight-line basis over the term of the lease.

At the commencement date of property leases the Group determines the lease term to be the full term of the lease, assuming any option to break or extend the lease is unlikely to be exercised. Leases are regularly reviewed and will be remeasured if it becomes likely that a break clause or option to extend the lease will be exercised. Judgement is also required in respect of property leases where the current lease term has expired but the Group remains in negotiation with the landlord for potential renewal. Where the Group believes renewal to be reasonably certain and the lease is protected by the Landlord Tenant Act, it will be treated as having been renewed at the date of termination of the previous lease term and on the same terms as the previous lease. Where renewal is not considered to be certain the leases are included with a lease term which reflects the anticipated notice period under relevant legislation. The lease will be revalued when it is renewed to take account of the new terms.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its properties.
Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased asset will be derecognised and finance lease asset receivables recognised. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Critical accounting judgements and key sources of estimation uncertainty

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

Estimates and judgements are periodically reviewed and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Details of the Group's critical accounting judgements and estimates are described within the relevant accounting policies set out in the Annual Report and Accounts 2019.

Judgements and estimates for the interim period remain largely unchanged. However, there have been changes to the estimates used in the valuation of property, plant and equipment as described in note 8. Judgement around provisions are also no longer relevant as onerous lease provisioning is no longer a requirement post IFRS 16.

2. SEGMENTAL ANALYSIS

The Group trades in one business segment (that of operating pubs and restaurants). The Group's brands meet the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments and as such the Group reports the business as one reportable segment.

3. REVENUE

Revenue is analysed as follows:	**2020 28 weeks £m**	2019 28 weeks £m	2019 52 weeks £m
Food	**535**	610	1,137
Drink	**467**	537	1,025
Services	**37**	39	75
Total	**1,039**	1,186	2,237

Revenue from services includes rent receivable from unlicensed properties and leased operations of £4m (2019 28 weeks £5m, 2019 52 weeks £10m).

4. SEPARATELY DISCLOSED ITEMS

In addition to presenting information on an IFRS basis, the Group also presents adjusted profit and earnings per share information that excludes separately disclosed items and the impact of any associated tax. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profit and earnings per share information is used by management to monitor business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans.

Judgement is used to determine those items which should be separately disclosed. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.

Separately disclosed items include movements in the valuation of the property portfolio as a result of the revaluation exercise of property, plant and equipment, impairment review of short leasehold and unlicensed properties, impairment review of right-of-use assets, revaluation of assets held for sale, past service cost in relation to the defined benefit pension obligation and costs directly associated with the government enforced closure of pubs as a result of the Covid-19 pandemic.

In addition to those items presented as separately disclosed items in the Annual Report and Accounts 2019, the impairment review of right-of-use assets is classified as separately disclosed due to its potential volatility, which can be partly driven by movements in discount rate. Costs directly associated with the closure of pubs as a result of the Covid-19 virus are considered to be separately disclosed due to their size and one-off nature.

4. SEPARATELY DISCLOSED ITEMS (CONTINUED)

	Notes	**2020 28 weeks £m**	2019 28 weeks £m	2019 52 weeks £m
Adjusted items				
Costs directly associated with the Covid-19 pandemic and enforced closure of pubs	a	**(11)**	-	-
Past service cost in relation to the defined benefit pension obligation	b	**-**	(19)	(19)
Total adjusted items recognised within operating costs		**(11)**	(19)	(19)
Net profit arising on property disposals	c	**-**	1	1
Movement in the valuation of the property portfolio:				
- Impairment arising from the revaluation	d	**(127)**	-	(4)
- Revaluation of assets held for sale	e	**-**	7	7
- Impairment of freehold and long leasehold tenant's fixtures and fittings	f	**(3)**	-	-
- Impairment of short leasehold and unlicensed properties	g	**(2)**	-	(5)
- Impairment of right-of-use assets	h	**(16)**	-	-
Net movement in the valuation of the property portfolio		**(148)**	7	(2)
Total adjusted items before tax		**(159)**	(11)	(20)
Tax credit relating to the above items		**31**	3	4
Tax charge relating to change in tax rate	i	**(10)**	-	-
Total adjusted items after tax		**(138)**	(8)	(16)

a Costs directly associated with the Covid-19 pandemic primarily relate to the disposal of stock items at site and within distribution depots that are beyond usable dates as a result of the government enforced closure of pubs. These costs are not considered to be part of normal trading activity.

b On 26 October 2018 the High Court provided a ruling regarding guaranteed minimum pensions (GMPs) equalisation. The court ruled that pensions provided to members who had contracted-out of their scheme must be recalculated to ensure payments reflect the equalisation of state pension ages in the 1990s. The ruling provided pension trustees with a range of acceptable methods for calculating the GMP equalisation. The court also ruled that trustees are obliged to make arrears payments to members and simple interest on the arrears should be paid at 1% above the base rate. The estimated increase in pension liabilities required to equalise for GMPs is £19m. This was disclosed separately in the prior period, as it is not considered part of the adjusted trade performance of the Group.

c Profit or loss arising on property disposals is disclosed separately as it is not considered to be part of adjusted trading performance and there is volatility in the size of the profit/(loss) in each accounting period.

d Impairment arising from the Group's revaluation of its freehold and long leasehold pub estate where the carrying values of the properties exceed their recoverable amount (see note 8).

e A revaluation uplift, which reverses a previous impairment, has been recognised on reclassification of property, plant and equipment to assets held for sale.

f Impairment of freehold and long leasehold tenant's fixtures and fittings where their carrying values exceed their recoverable amount (see note 8).

g The impairment of short leasehold and unlicensed properties comprises an impairment charge, where the carrying values of the properties exceed their recoverable amount, net of an impairment reversal where carrying values have been increased to recoverable amounts (see note 8).

h Impairment of right-of-use assets where their carrying values exceed their recoverable amount (see note 13).

i A deferred tax charge of £10m has been recognised in the current period following the substantive enactment of legislation on 17 March 2020 which increased the UK standard rate of corporation tax from 17% to 19% from 1 April 2020.

5. FINANCE COSTS AND FINANCE REVENUE

	2020 28 weeks £m	2019 28 weeks £m	2019 52 weeks £m
Finance costs			
Interest on securitised debt	**(57)**	(59)	(109)
Interest on other borrowings	**(2)**	(3)	(4)
Interest on lease liabilities	**(10)**	-	-
Unwinding of discount on provisions	-	-	(1)
Total finance costs	**(69)**	(62)	(114)
Finance revenue			
Interest receivable	**1**	1	1
Net pensions finance charge (note 11)	**(2)**	(4)	(7)

6. TAXATION

The taxation charge for the 28 weeks ended 11 April 2020 has been calculated by applying an estimate of the annual effective tax rate before adjusted items of 19.3% (2019 28 weeks, 19.9%).

Tax credit/(charge) in the income statement	**2020 28 weeks £m**	2019 28 weeks £m	2019 52 weeks £m
Current tax:			
- UK corporation tax	**-**	(15)	(31)
- Amounts over provided in prior periods	**-**	-	3
Total current tax charge	**-**	(15)	(28)
Deferred tax:			
- Origination and reversal of temporary differences	**24**	1	(5)
- Changes in tax rate	**(10)**	-	-
- Adjustments in respect of prior periods	**-**	-	(1)
Total deferred tax credit/(charge)	**14**	1	(6)
Total tax credit/(charge) in the income statement	**14**	(14)	(34)
Further analysed as tax relating to:			
Profit before adjusted items	**(7)**	(17)	(38)
Adjusted items	**21**	3	4
	14	(14)	(34)

6. TAXATION (CONTINUED)

Tax relating to items recognised in other comprehensive income	**2020 28 weeks £m**	2019 28 weeks £m	2019 52 weeks £m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised losses/(gains) due to revaluations – revaluation reserve	**43**	-	(14)
- Unrealised gains due to revaluations – retained earnings	**(1)**	-	(1)
- Rolled over and held over gains – retained earnings	**(7)**	-	-
- Remeasurement of pension liabilities	**7**	(3)	(3)
	42	(3)	(18)
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges:			
- Losses arising during the period	**4**	5	14
- Reclassification adjustments for items included in profit or loss	**-**	(3)	(4)
	4	2	10
Total tax credit/(charge) recognised in other comprehensive income	**46**	(1)	(8)

The tax credit in the interim financial statements is wholly attributable to deferred tax as the full year results are expected to be an overall allowable tax loss and no corporation tax is expected to be payable for the 52 weeks ended 26 September 2020.

The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balances at 13 April 2019 and 28 September 2019.

On 17 March 2020 a resolution was passed by Parliament under the Provisional Collection of Taxes Act 1968 which substantively enacted a change in the main rate of corporation tax from 1 April 2020. The resolution superseded existing legislation and replaced the proposed main rate of corporation tax of 17% with a rate of 19%. The effect of this change has been reflected in the closing deferred tax at 11 April 2020.

7. EARNINGS/(LOSS) PER SHARE

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

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

Adjusted (loss)/earnings per ordinary share amounts are presented before adjusted items (see note 4) in order to allow a better understanding of the adjusted trading performance of the Group.

	2020 28 weeks	2019 28 weeks	2019 52 weeks
Basic earnings per share:			
Total (loss)/profit for the period (£m)	**(107)**	61	143
Weighted average number of ordinary shares for the purposes of basic earnings per share (millions)	**428**	428	427
Basic (loss)/earnings per share (pence)	**(25.0)p**	14.3p	33.5p
Total (loss)/profit for the period (£m)	**(107)**	61	143
Effect of adjusted items on (loss)/earnings for the period (£m)	**138**	8	16
Earnings excluding adjusted items (£m)	**31**	69	159
Adjusted basic earnings per share (pence)	**7.2p**	16.1p	37.2p

	2020 28 weeks	2019 28 weeks	2019 52 weeks
Diluted earnings per share:			
Weighted average ordinary shares for the purposes of basic earnings per share (millions)	**428**	428	427
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares (millions)	**1**	1	1
- Other share options (millions)	**2**	1	1
Number of shares for the purpose of diluted earnings per share (millions)	**431**	430	429
Diluted (loss)/earnings per share (pence)	**(24.8)p**	14.2p	33.3p
Adjusted diluted earnings per share (pence)	**7.2p**	16.0p	37.1p

8. PROPERTY, PLANT AND EQUIPMENT

	2020 11 April £m	2019 13 April £m	2019 28 September £m
At beginning of period	**4,528**	4,426	4,426
Additions	**88**	93	151
(Decrease)/increase as a result of the revaluation and impairment review	**(524)**	7	82
Disposals	**(2)**	(1)	(2)
Depreciation provided during the period	**(61)**	(64)	(116)
Transfers to assets held for sale	**-**	(13)	(13)
At end of period	**4,029**	4,448	4,528

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation and impairment
On 20 March 2020, all pubs and restaurants were mandatorily closed under government instruction due to the Covid-19 pandemic. This closure is considered to be a significant indicator of impairment of property, plant and equipment. As a result, a full revaluation exercise has been completed of the freehold and long leasehold licensed properties, along with an impairment review of the related tenant's fixtures and fitings. In addition, an impairment review has been performed for the short leasehold and unlicensed properties.

Revaluation of freehold and long leasehold properties

Accounting policy
The revaluation utilises valuation multiples, which are determined via third-party inspection of 20% of the sites each year such that all sites are individually valued approximately every five years; estimates of fair maintainable trade (FMT); and estimated resale value of tenant's fixtures and fittings. Properties are valued as fully operational entities, to include fixtures and fittings but excluding stock and personal goodwill. The value of tenant's fixtures and fittings is then removed from this valuation via reference to its associated resale value. Where sites have been impacted by expansionary capital investment in the preceding 12 months, FMT is taken as the post investment forecast, as the current year trading performance includes a period of closure.

Valuation multiples derived via third-party inspections determine brand standard multiples which are then used to value the remainder of the non-inspected estate via an extrapolation exercise, with the output of this exercise reviewed at a high level by the Directors and the third-party valuer.

Where the value of land and buildings derived purely from a multiple applied to the fair maintainable trade misrepresents the underlying asset value, for example, due to low levels of income or location characteristics, a spot valuation is applied.

Critical accounting judgements
The revaluation methodology is determined using management judgement, with advice from third-party valuers in determining valuation multiples. The application of a valuation multiple to the fair maintainable trade of each site is considered the most appropriate method for the Group to determine the fair value of licensed land and buildings. Where sites have been impacted by expansionary capital investment in the preceding 12 months, management judgement is used to determine the most appropriate souce of FMT which is likely to be a post investment forecast, as the current year trading performance includes a period of closure.

Key sources of estimation uncertainty
The application of the valuation methodology requires two key sources of estimation uncertainty; the estimation of valuation multiples, which are determined via third-party inspections; and an estimate of fair maintainable trade, including reference to historic and future projected income levels. A sensitivity analysis of changes in valuation multiples and FMT, in relation to those properties to which these estimates apply is provided below. The carrying value of properties to which these estimates apply is £3,839m.

Revaluation of freehold and long leasehold properties
We have undertaken a Directors' valuation of the freehold and long leasehold properties at fair value as at 11 April 2020, following consultation with CBRE, independent chartered surveyors, with respect of appropriate methodology. The valuation was carried out in accordance with the RICS Valuation – Global Standards 2017, which incorporates the international Valuation Standards and the RICS Valuation – Professional Standards UK January 2015 (revised April 2015) ("the Red Book"), assuming each asset is sold as a fully operational trading entity. The fair value has been determined having regard to factors such as current and future projected income levels, taking account of location, quality of pub restaurant and recent market transactions in the sector.

At the interim date there have been no site inspections as the third-party valuer CBRE was unable to gain access to properties due to social distancing measures in place as a result of Covid-19. As a result, brand multiples applied at 2019 form the basis for the interim review with a reduction of 1.0x multiple applied to all brands. In addition, the final valuation is reduced by an estimate of the loss of profits resulting from enforced pub closures and 9 months of expected build up in trade post re-opening.

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Sensitivity analysis
Changes in either the FMT or the multiple could materially impact the valuation of the freehold and long leasehold properties. The average movement in FMT of revalued properties over the prior three financial years is 1.0%. It is estimated that, given the multiplier effect, a 1.0% change in FMT of the freehold or long leasehold properties would generate an approximate £37m movement in their valuation.

Valuation multiples are determined at an individual brand level. Over the prior three years, the weighted average brand multiple has moved by an average of 0.1. It is estimated that a 0.1 change in the multiple would generate an approximate £46m movement in valuation.

Impairment of freehold and long leasehold tenant's fixtures and fittings
The value of tenant's fixtures and fittings are removed from the valuation of freehold and long leasehold properties and are subsequently reviewed for impairment by comparing recoverable amount to their carrying values. Any resulting impairment relates to sites with poor trading performance, where the output of the calculation is insufficient to justify their current net book value.

Impairment of short leasehold properties
Short leasehold and unlicensed properties (comprising land and buildings and fixtures, fittings and equipment) which are not revalued to fair market value, are reviewed for impairment by comparing site recoverable amount to their carrying values. Any resulting impairment relates to sites with poor trading performance, where the output of the calculation is insufficient to justify their current net book value.

Value in use calculations use forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 8.1% (2019 52 weeks 7.7%). At the interim date, the value in use calculations include an estimate of the impact of expected closure period and subsequent build up in trade post re-opening, as a direct result of the Covid-19 pandemic.

The impact of the revaluation and impairment review is as follows:

	2020 28 weeks £m	2019 28 weeks £m	2019 52 weeks £m
Group income statement			
Revaluation deficit charged as an impairment	**(153)**	-	(76)
Reversal of past revaluation deficits	**26**	-	72
Total impairment arising from the revaluation	**(127)**	-	(4)
Impairment of short leasehold and unlicensed properties	**(2)**	-	(7)
Reversal of past impairments of short leasehold and unlicensed properties	**-**	-	2
Total impairment of short leasehold and unlicensed properties	**(2)**	-	(5)
Impairment of freehold and long leasehold tenant's fixtures and fittings	**(3)**	-	-
Reversal of past impairment on transfer to assets held for sale	**-**	7	7
	(132)	7	(2)
Revaluation reserve			
Unrealised revaluation surplus	**29**	-	199
Reversal of past revaluation surplus	**(421)**	-	(115)
	(392)	-	84
Net (decrease)/increase in property, plant and equipment	**(524)**	7	82

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The valuation techniques are consistent with the principles in IFRS 13 and use significantly unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

The number of pubs included in the revaluation and the resulting valuation of these properties is reconciled to the total value of property, plant and equipment below.

At 11 April 2020	**Number of pubs**	**Land and buildings**	**Fixtures, fittings and equipment**	**Net book value**
		£m	**£m**	**£m**
Freehold properties	**1,330**	**3,142**	**434**	**3,576**
Long leasehold properties	**95**	**226**	**37**	**263**
Total revalued properties	**1,425**	**3,368**	**471**	**3,839**
Short leasehold properties		**77**	**82**	**159**
Unlicensed properties		**16**	**2**	**18**
Other non-pub assets		**1**	**4**	**5**
Assets under construction		**4**	**4**	**8**
Total property, plant and equipment		**3,466**	**563**	**4,029**

At 28 September 2019	Number of pubs	Land and buildings	Fixtures, fittings and equipment	Net book value
		£m	£m	£m
Freehold properties	1,331	3,603	433	4,036
Long leasehold properties	96	270	37	307
Total revalued properties	1,427	3,873	470	4,343
Short leasehold properties		77	80	157
Unlicensed properties		15	2	17
Other non-pub assets		1	3	4
Assets under construction		3	4	7
Total property, plant and equipment		3,969	559	4,528

The tables below show, by class of asset, the number of properties that have been valued within each FMT and multiple banding;

	Valuation multiple applied to FMT					
At 11 April 2020	**Over 12 times**	**10 to 12 times**	**8 to 10 times**	**6 to 8 times**	**Under 6 times**	**Total**
Number of pubs in each FMT income banding;						
<£200k	**51**	**8**	**35**	**264**	**21**	**379**
£200k - £360k	**2**	**3**	**91**	**333**	**28**	**457**
>£360k	**0**	**33**	**140**	**403**	**13**	**589**
	53	**44**	**266**	**1,000**	**62**	**1,425**

	Valuation multiple applied to FMT					
At 28 September 2019	Over 12 times	10 to 12 times	8 to 10 times	6 to 8 times	Under 6 times	Total
Number of pubs in each FMT income banding;						
<£200k	56	9	163	158	6	392
£200k - £360k	1	14	302	133	18	468
>£360k	1	59	430	61	16	567
	58	82	895	352	40	1,427

Movements in valuation multiples are the result of changes in property market conditions. The average weighted multiple, inclusive of the impact of closure period is 7.4 (28 September 2019 8.6)

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Goodwill and other intangible assets
Goodwill and other intangible assets at 11 April 2020 comprise goodwill of £2m (13 April 2019 £2m, 28 September 2019 £2m) and computer software of £13m (13 April 2019 £10m, 28 September 2019 £12m).

Capital commitments
The total amount contracted for but not provided in the financial statements was £9m (13 April 2019 £22m, 28 September 2019 £19m).

9. ANALYSIS OF NET DEBT

	2020 11 April £m	2019 13 April £m	2019 28 September £m
Cash and bank balances	**191**	145	133
Cash and cash equivalents	**191**	145	133
Other cash deposits	**-**	120	-
Securitised debt	**(1,706)**	(1,789)	(1,752)
Liquidity facility	-	(147)	-
Revolving credit facility	**(150)**	-	-
Derivatives hedging balance sheet debt[a]	**50**	44	55
Net debt excluding leases	**(1,615)**	(1,627)	(1,564)
Current lease liabilities	**(52)**	-	-
Non-current lease liabilities	**(491)**	-	-
Total lease liabilities	**(543)**	-	-
Net debt including leases	**(2,158)**	(1,627)	(1,564)

a Represents the proportion of the fair value of the currency swap that is hedging the balance sheet value of the Group's US dollar denominated A3N loan notes. This amount is disclosed separately to remove the impact of exchange rate movements which are included in the securitised debt amount.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months is disclosed as other cash deposits. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

Securitised debt
Under a Guarantee Agreement, Ambac Assurance UK Limited, a financial guarantee insurance company, agreed to act as a guarantor of the Companies obligations to repay interest and principal on the loan notes. In the event that the Company is unable to pay such amounts the guarantee is limited to the Class A1N, A3N, A4 and Class AB note holders only. During the period an agreement was reached to remove the guarantee from the Class A2 notes.

The overall cash interest rate payable on the loan notes is fixed at 6.3% (13 April 2019 6.2%, 28 September 2019 6.2%) 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.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other Group companies. At 11 April 2020, Mitchells & Butlers Retail Limited had cash and cash equivalents of £47m (13 April 2019 £69m, 28 September 2019 £61m). Of this amount £1m (13 April 2019 £1m, 28 September 2019 £1m), representing disposal proceeds, was held on

9. ANALYSIS OF NET DEBT (CONTINUED)

deposit in an account over which there are a number of restrictions. The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

The carrying value of the securitised debt in the Group balance sheet is analysed as follows:

	2020 11 April £m	2019 13 April £m	2019 28 September £m
Principal outstanding at beginning of period	**1,753**	1,832	1,832
Principal repaid during the period	**(45)**	(43)	(87)
Exchange on translation of dollar loan notes	**(5)**	(3)	8
Principal outstanding at end of period	**1,703**	1,786	1,753
Deferred issue costs	**(4)**	(5)	(4)
Accrued interest	**7**	8	3
Carrying value at end of period	**1,706**	1,789	1,752

Liquidity facility
Under the terms of the securitisation, the Group holds a liquidity facility of £295m provided by two counterparties. As a result of the decrease in credit rating of one of the counterparties, the Group was obliged to draw that counterparty's portion of the facility during the 52 weeks ended 27 September 2014. During the prior period the Group novated part of the facility to a higher rated counterparty and repaid the amount drawn. The amount drawn at 11 April 2020 is £nil (13 April 2019 £147m, 28 September 2019 £nil).

Unsecured revolving credit facilities
The Group holds three unsecured committed revolving credit facilities of £50m each and uncommitted revolving credit facilities of £5m, available for general corporate purposes. The amount drawn at 11 April 2020 is £150m (13 April 2019 £nil, 28 September 2019 £nil). All committed facilities expire on 31 December 2020.

10. MOVEMENT IN NET DEBT

	2020 28 weeks £m	2019 28 weeks £m	2019 52 weeks £m
Net increase in cash and cash equivalents	**58**	23	11
Add back cash flows in respect of other components of net debt:			
- Transfers from other cash deposits	-	-	(120)
- Repayment of principal in respect of securitised debt	**45**	43	87
- Repayment of liquidity facility	-	-	147
- Drawdown of unsecured revolving facilities	**(150)**	-	-
(Increase)/decrease in net debt arising from cash flows	**(47)**	66	125
Movement in capitalised debt issue costs net of accrued interest	**(4)**	(5)	(1)
(Increase)/decrease in net debt excluding leases	**(51)**	61	124
Opening net debt excluding leases	**(1,564)**	(1,688)	(1,688)
Closing net debt excluding leases	**(1,615)**	(1,627)	(1,564)

11. PENSIONS

Retirement and death benefits are provided for eligible employees in the United Kingdom, principally by the Mitchells & Butlers Pension Plan (MABPP) and the Mitchells & Butlers Executive Pension Plan (MABEPP). These plans are funded, HMRC approved, occupational pension schemes with defined contribution and defined benefit sections. The defined benefit section of the plans is now closed to future service accrual.

In addition, Mitchells & Butlers plc also provides a workplace pension plan in line with the Workplace Pensions Reform Regulations. This automatically enrols all eligible workers into a Qualifying Workplace Pension Plan.

Measurement of scheme assets and liabilities

Actuarial valuation
The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the latest full actuarial valuation carried out at 31 March 2019 and updated by the schemes' independent qualified actuaries to 11 April 2020. Scheme assets are stated at market value at 11 April 2020 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the scheme liabilities are discounted using market yields at the end of the period on high quality corporate bonds.

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

	2020 11 April	2019 13 April	2019 28 September
Discount rate	**1.9%**	2.6%	1.8%
Pensions increases – RPI max 5%	**2.6%**	3.1%	3.0%
Inflation – RPI	**2.6%**	3.3%	3.1%

The mortality assumptions were reviewed following the 2019 actuarial valuation. A summary of the average life expectancies assumed are as follows:

	2020 11 April	2019 13 April	2019 28 September
Implied life expectancies from age 65:			
- MABPP male currently 45	**22.7 years**	23.0 years	22.7 years
- MABEPP male currently 45	**24.5 years**	25.6 years	24.5 years
- MABPP female currently 45	**25.3 years**	25.5 years	25.3 years
- MABEPP female currently 45	**26.3 years**	27.9 years	26.3 years

Minimum funding requirements
The results of the 2019 actuarial valuation showed a funding deficit of £293m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 (revised). As a result of the 2019 actuarial valuation, the Company subsequently agreed recovery plans for both the Executive and Main schemes in order to close the funding deficit in respect of its pension liabilities. The recovery plans show an unchanged level of cash contributions with no extension to the agreed payment term (£45m per annum indexed with RPI from 1 April 2016 subject to a minimum increase of 0% and maximum of 5%, until 31 March 2023). However, given the Covid-19 outbreak, the Company has agreed with the Trustee that contributions would be suspended for the months of April, May and June 2020, with these being added onto the end of the agreed recovery plan so that these contributions will be paid in 2023. Under IFRIC 14, an additional liability is recognised, such that the overall pension liabilities at the period end reflect the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actuarial deficit.

11. PENSIONS (CONTINUED)

Amounts recognised in respect of pension schemes

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

Group income statement	**2020 28 weeks**	2019 28 weeks	2019 52 weeks
	£m	£m	£m
Operating profit			
Employer contributions (defined contribution plans)	**(6)**	(5)	(12)
Administrative costs (defined benefit plans)	**(1)**	(1)	(3)
Charge to operating profit before adjusted items	**(7)**	(6)	(15)
Past service cost (see note 4)	**-**	(19)	(19)
Charge to operating profit	**(7)**	(25)	(34)
Finance costs			
Net pensions finance income on actuarial surplus	**3**	5	10
Additional pensions finance charge due to minimum funding	**(5)**	(9)	(17)
Net pensions finance charge	**(2)**	(4)	(7)
Total charge	**(9)**	(29)	(41)

Group statement of comprehensive income	**2020 28 weeks**	2019 28 weeks	2019 52 weeks
	£m	£m	£m
Return on scheme assets and effects of changes in assumptions	**58**	(92)	(77)
Movement in pension liabilities due to minimum funding	**(53)**	109	92
Remeasurement of pension liabilities	**5**	17	15

Group balance sheet	**2020 11 April £m**	2019 13 April £m	2019 28 September £m
Fair value of scheme assets	**2,649**	2,477	2,739
Present value of scheme liabilities	**(2,269)**	(2,224)	(2,443)
Actuarial surplus in the schemes	**380**	253	296
Additional liability recognised due to minimum funding	**(568)**	(485)	(511)
Total pension liabilities[a]	**(188)**	(232)	(215)
Associated deferred tax asset	**36**	40	36

a. The total pension liabilities of £188m (13 April 2019 £232m, 28 September 2019 £215m) is presented as a £51m current liabilities (13 April 2019 £49m, 28 September 2019 £50m) and a £137m non-current liabilities (13 April 2019 £183m, 28 September 2019 £165m).

11. PENSIONS (CONTINUED)

Movements in total pension liabilities are analysed as follows:

	2020 **11 April** **£m**	2019 13 April £m	2019 28 September £m
At beginning of period	**(215)**	(249)	(249)
Past service cost	**-**	(19)	(19)
Administration costs	**(1)**	(1)	(3)
Net pensions finance charge	**(2)**	(4)	(7)
Employer contributions	**25**	24	49
Remeasurement of pension liabilities	**5**	17	15
At end of period	**(188)**	(232)	(215)

12. FINANCIAL INSTRUMENTS

The fair value of the Group's derivative financial instruments is calculated by discounting the expected future cash flows of each instrument at an appropriate discount rate to a 'mark to market' position and then adjusting this to reflect any non-performance risk associated with the counterparties to the instrument.

IFRS 13 Financial Instruments requires the Group's derivative financial instruments to be disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value:

- Level 1 instruments use quoted prices as the input to fair value calculations;
- Level 2 instruments use inputs, other than quoted prices, that are observable either directly or indirectly;
- Level 3 instruments use inputs that are unobservable.

The table below sets out the valuation basis of financial instruments held at fair value by the Group:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 11 April 2020				
Financial assets				
Currency swaps	**-**	**50**	**-**	**50**
Share options	**-**	-	**1**	**1**
Financial liabilities				
Interest rate swaps	**-**	**(294)**	**-**	**(294)**
	-	**(244)**	**1**	**(243)**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 13 April 2019				
Financial assets				
Currency swaps	-	45	-	45
Financial liabilities				
Interest rate swaps	-	(253)	-	(253)
	-	(208)	-	(208)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 28 September 2019				
Financial assets				
Currency swaps	**-**	55	-	55
Share options	**-**	-	1	1
Financial liabilities				
Interest rate swaps	**-**	(302)	-	(302)
	-	(247)	1	(246)

12. FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of interest rate and currency swaps is the estimated amount which the Group could expect to pay or receive on termination of the agreements. These amounts are based on quotations from counterparties which approximate to their fair market value and take into consideration interest and exchange rates prevailing at the balance sheet date. Other financial assets and liabilities are either short-term in nature or their book values approximate to fair values.

13. ADOPTION OF IFRS 16 LEASES

The Group has initially adopted IFRS 16 Leases from 29 September 2019. The impact of the adoption on the opening balance sheet at 29 September 2019 is described in note 1 and below.

Impact of IFRS 16 on the financial statements

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured in accordance with the policy set out in note 1, using the Group's incremental borrowing rate as at 29 September 2019. Right-of-use assets were measured at an amount equal to the corresponding lease liability, adjusted for any prepaid lease payments, lease incentives, expected dilapidations and lease premiums.

The following is a reconciliation of total operating lease commitments as at 28 September 2019, to the lease liabilities as at 29 September 2019:

	£m
Total operating lease commitments at 28 September 2019	678
Reconciling items:	
- Short term leases	(1)
- Lease commitments for periods post break clauses	120
- Assumed lease extensions	4
Operating lease liabilities before discounting	801
Impact of discounting using incremental borrowing rate	(256)
Total lease liabilities recognised under IFRS 16 at 29 September 2019	545

The following is a reconciliation of the opening lease liabilities to the opening right-of-use assets:

	£m
Total lease liabilities recognised under IFRS 16 at 29 September 2019	545
Reconciling items:	
- Lease premiums	1
- Lease incentives	(9)
- Lease prepayments	13
- Dilapidations costs	1
- Impairment recognised	(66)
- Non-current sub-leases derecognised and recognised as finance lease receivables	(17)
- Current sub-leases derecognised and recognised as finance lease receivables	(2)
Total right-of-use assets recognised under IFRS 16 at 29 September 2019	466

13. ADOPTION OF IFRS 16 LEASES (CONTINUED)

Balance sheet

The impact on the opening balance sheet is summarised below;

	Closing balance sheet at 28 September 2019	IFRS16 impact	Opening balance sheet at 29 September 2019
	£m	£m	£m
Lease Premiums	1	(1)	-
Right-of-use assets	-	466	466
Lease receivable – non-current	-	17	17
Deferred tax asset	66	5	71
Trade and other receivables	63	(11)	52
Trade and other payables	(327)	12	(315)
Lease liabilities - current	-	(29)	(29)
Lease liabilities - non-current	-	(516)	(516)
Provisions	(36)	33	(3)
Retained reserves	854	(24)	830

a Movement in the opening balance of retained earnings represents the impairment review of £66m, offset by the reversal of onerous lease provision of £33m, rent review accruals no longer required under IFRS 16 of £3m, dilapidations on the right-of-use assets already charged through the income statement of £1m, and an increase of £5m to the deferred tax asset.

Income statement

The Group has recognised depreciation and interest costs in the income statement, rather than rental charges for those leases that were previously classified as operating leases. During the 28 weeks ended 11 April 2020, the Group recognised £22m of depreciation charges and £10m of interest costs in respect of these leases. In addition, the Group has recognised an impairment of £16m as a separately disclosed item for the 28 weeks ended 11 April 2020.

Cash flow statement

Whilst the implementation of IFRS 16 has no impact on cash flow, there is a requirement to present lease payments split between principle and interest as shown in the cash flow statement.

Right-of-use assets

The Group leases many assets, including properties and motor vehicles. Details of the movement in the value of right-of-use assets from transition, at 29 September 2019, to 11 April 2020 are as follows:

	Properties	Motor vehicles	Total
	£m	£m	£m
At transition to IFRS 16	463	3	466
Additions	6	1	7
Depreciation provided during the period	(21)	(1)	(22)
Impairment	(16)	-	(16)
At 11 April 2020	**432**	**3**	**435**

13. ADOPTION OF IFRS 16 LEASES (CONTINUED)

Impairment of right-of-use assets

Right-of-use assets are reviewed for impairment by comparing site recoverable amounts to their carrying values. Any resulting impairment relates to sites with poor forecast trading performance, where their estimated recoverable amount is insufficient to justify their current net book value. For practical reasons the impairment review of right-of-use assets is performed simultaneously with the impairment review of short leasehold assets classified within property, plant and equipment, as an individual site is a single cash generating unit.

Recoverable amount is estimated with reference to a value in use calculation which uses forecast trading performance cash flows, discounted by applying a pre-tax discount rate of 8.1%. At the interim date, the value in use calculations include the estimated impact of the expected closure period and subsequent build up in trade post re-opening, as a direct result of the Covid-19 pandemic.

Critical accounting judgements

The impairment review is determined using management judgement of future profitability. Where sites have been impacted by expansionary capital investment in the preceding 12 months, management judgement is used to determine the most appropriate source of post investment profitability which is likely to be based on a post investment forecast, as the current year trading performance includes a period of closure.

Lease liabilities

At 11 April 2020, the lease liabilities recognised are as follows:

	2020 11 April £m
Current lease liabilities	**(52)**
Non-current lease liabilities	**(491)**
	(543)

14. RELATED PARTY TRANSACTIONS

During the period, the Group has held a number of property lease agreements with its associate companies, 3Sixty Restaurants Limited and Fatboy Pub Company Limited.

Since becoming associates of the Group, the total value of rent charged on these properties in the 28 weeks to 11 April 2020 was £375,000 (2019 28 weeks £160,000, 2019 52 weeks £447,000). In addition, sales of goods and services of £343,000 (2019 28 weeks £342,000, 2019 52 weeks £650,000) and loans of £nil (2019 28 weeks £175,000, 2019 52 weeks £175,000) were made to the associates during the 28 weeks to 11 April 2020. The balance due from associates at 11 April 2020 was £297,000 (13 April 2019 £254,000, 28 September 2019 £288,000).

There have been no other related party transactions during the period or the previous period requiring disclosure under IAS 24 Related Party Disclosures.

15. POST BALANCE SHEET EVENT

Securitised debt
On 11 June 2020 certain amendments and waivers were agreed with Ambac Assurance UK Ltd (as controlling creditor of the secured financing structure) and HSBC (C.I) Trustee (as Trustee of the secured financing structure), to mitigate against the impacts of the Covid-19 pandemic. Under the terms of the agreement, the financial covenant test in respect of the debt service coverage ratio has been waived until July 2021 (in respect of the six month look-back test) and until September 2021 (in respect of the twelve month look-back test). Further key points are: a) the securitised Liquidity Facility can be used to fund debt service costs in June 2020 and September 2020 (up to a maximum amount of £100m), with all amounts having to be repaid by March 2021; b) the requirement to spend a minimum amount of capital maintenance expenditure is waived for periods of closure due to Covid-19. The Group is also committed to provide funding into the securitised financing structure, of up to £100m in line with drawings under the securitised Liquidity Facility.

Liquidity facility
On 15 June 2020 the facility was drawn in an amount of £47m to fund debt service costs of the securitisation Issuer, in line with the waivers obtained on 11 June 2020.

Securitised funding
On 16 June 2020 the Group subscribed for additional equity in Mitchells & Butlers Retail Limited in the amount of £47m, in line with the commitments made on 11 June 2020 to provide additional funding to the securitsation structure.

Unsecured credit facilities
As at 11 April 2020 the Group held three unsecured committed revolving credit facilities of £50m each (expiring on 31 December 2020) and unsecured uncommitted revolving credit facilities of £5m, available for general corporate purposes. The amount drawn at 11 April 2020 is £150m (13 April 2019 £nil, 28 September 2019 £nil).

On 11 June 2020 the Group entered into the following facilities: a) extension of maturity date under the three existing unsecured committed revolving credit facilities of £50m each to 31 December 2021 and; b) two new unsecured committed term loan facilities of £50m each with a maturity date of 31 December 2021, structured under the Government backed Coronavirus Large Business Interruption Loan Scheme.

On 17 June 2020 the two term loans were fully drawn for £100m, with £101m of the existing revolving credit facility drawings being repaid on the same date.

Alternative Performance Measures

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

The Group's results are presented both before and after separately disclosed items. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of separately disclosed items provided in note 4.

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

APMs used to explain and monitor Group performance include:

APM	Definition	Source
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group condensed income statement
Adjusted EBITDA	Annualised EBITDA on a 52 week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group condensed income statement
EBITDA before adjusted items	EBITDA before separately disclosed items.	Group condensed income statement
Operating profit	Earnings before interest and tax.	Group condensed income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group condensed income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	Group condensed income statement
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 7
Net debt : Adjusted EBITDA	The multiple of net debt including lease liabilities, as per the balance sheet compared against 52 week EBITDA before separately disclosed items which is a widely used leverage measure in the industry.	Note 9 Group condensed income statement
Free cash flow	Calculated as net movement in cash and cash equivalents before the movement on unsecured revolving credit facilities. This measure is no longer used as an APM, see explanation below.	Condensed cash flow statement
Return on capital	Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Return on investment is measured for four years following investment. Measurement commences three periods following the opening of the site.	

A. Like-for-like sales

The sales this year compared to the sales in the previous year of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals. As like-for-like sales can only be measured when sites are trading the measure ceases in week 24 the last full week of trade before the closure of the estate in response to COVID-19.

	Source	**2020 24 weeks £m**	2019 24 weeks £m	Year-on-year %
Reported revenue	Condensed income statement	**1,039**	1,186	**(12.4%)**
Less non like-for-like sales and income subsequent to closure		**(114)**	(269)	**(57.6%)**
Like-for-like sales		**925**	917	**0.9%**

Drink and food sales growth HY 2020

	Source	**2020 24 weeks £m**	2019 24 weeks £m	Year-on-year %
Drink like-for-like sales		**420.3**	419.0	**0.3%**
Food like-for-like sales		**481.7**	475.4	**1.3%**
Other like-for-like sales		**23.4**	22.4	
Total like-for-like sales		**925.4**	916.8	**0.9%**

B. Adjusted Operating Profit

Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately identified by virtue of their size or incidence (see note 4). Excluding these items allows a better understanding of the trading of the Group.

	Source	**2020 28 weeks £m**	2019 28 weeks £m	Year-on-year %
Operating (loss)/profit	Condensed income statement	**(51)**	140	**(136%)**
Separately disclosed items	Note 4	**159**	11	**-**
Adjusted operating (loss)/profit		**108**	151	**(28%)**
Reported revenue 28 weeks	Condensed income statement	**1,039**	1,186	**(12%)**
Adjusted operating margin		**10.4%**	12.7%	**(2.3ppts)**

C. Adjusted Earnings per Share

Earnings per share using profit before separately disclosed items. Separately disclosed items are those which are separately identified by virtue of their size or incidence. Excluding these items allows a better understanding of the trading of the Group.

	Source	**2020 28 weeks £m**	2019 28 weeks £m	Year-on-year %
(Loss)/profit for the period	Condensed income statement	**(107)**	61	**(275%)**
Add back separately disclosed items	Condensed income statement	**138**	8	
Adjusted (loss)/profit		**31**	69	**(55%)**
Weighted average number of shares	Note 7	**428**	428	**-**
Adjusted earnings per share		**7.2p**	16.1p	**(55%)**

D. Net Debt: Adjusted EBITDA

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

Due to the closure period we do not have a representative 52 week EBITDA measure to calculate this metric and therefore it has not been used in these financial statements.

E. Free Cash Flow

Free cash flow excludes the cash movement on unsecured revolving credit facilities and was previously presented to allow understanding of the cash movements excluding short term debt. This measure was no longer used in the FY 2019 financial statements, with the reconciliation provided for the prior year purposes only and continues not to be used an alternative performance measure.

F. Return on capital

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

Due to the enforced closure of sites in response to Covid-19 outbreak we are no longer able to accurately measure return on capital as all sites are impacted.