



Annual Report
and Accounts

2014



Mitchells & Butlers plc is a member of the FTSE 250 and runs some of the UK's best-loved restaurant and pub brands including All Bar One, Harvester, Toby Carvery, Browns, Vintage Inns and Sizzling Pubs. Our vision is to run businesses that guests love to eat and drink in, and as a result grow shareholder value.

Our strategy to achieve this vision has five key elements:

- Focus the business on the most attractive market spaces within eating and drinking out
- Develop superior brand propositions with high levels of consumer relevance
- Recruit, retain and develop engaged people who deliver excellent service for our guests
- Generate high returns on investment through scale advantage
- Maintain a sound financial base

Contents

Strategic report

- 2 2014 Highlights
- 3 Chairman's statement
- 4 Mitchells & Butlers at a glance



Chief Executive's statement
Page 6

- 6 Chief Executive's statement
- 8 Our market
- 10 Our business model
- 12 Our strategy
- 14 Our strategy in action
- 18 Risks and uncertainties
- 22 Key performance indicators
- 24 Business review
- 26 Corporate social responsibility
- 31 Financial review



Corporate social responsibility
Page 26



Governance

- 35 Chairman's introduction to Governance
- 36 Board of Directors
- 38 Directors' report
- 42 Directors' responsibilities statement
- 43 Corporate governance statement
- 48 Audit Committee report
- 50 Report on Directors' remuneration

Financial statements

- 68 Independent auditor's report to the members of Mitchells & Butlers plc
- 70 Group income statement
- 71 Group statement of comprehensive income
- 72 Group balance sheet
- 73 Group statement of changes in equity
- 74 Group cash flow statement
- 75 Notes to the financial statements
- 104 Five year review
- Income statement information
- 105 Company balance sheet
- 106 Notes to the Company financial statements

Shareholder information

- 112 Shareholder information
- 112 Glossary

Go online: www.mbplc.com

What you'll find:

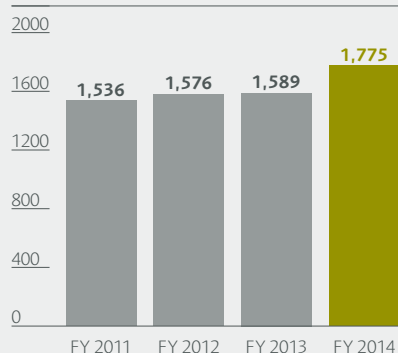
- About us and our brands
- News from around the business
- Corporate social responsibility
- Investor relations
- Careers with us

2014 Highlights

Operational highlights

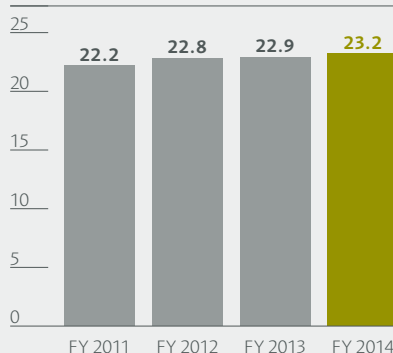
Number of managed sites

1,775 FY 2014



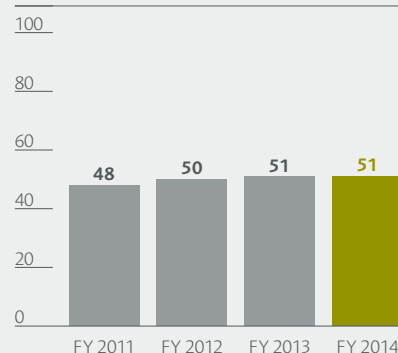
Average weekly sales per pub*

23.2 FY 2014



Food sales as % of total sales

51% FY 2014



Financial highlights

Revenue

£1,970m +4.0%

Adjusted earnings per share**

32.6p +1.2%

Adjusted operating profit**

£313m +1.0%

* Excludes the pubs acquired from the Orchid Group in June 2014.

** Adjusted figures refer to results before exceptional items as noted in the Group Income Statement.



"The market in which we operate remains challenging and competitive, but we feel well-placed to continue to grow given the solid foundations of our business."

Bob Ivell
Chairman

This year has seen us continue to deliver earnings growth while remaining on track with our priorities. We have taken steps to drive long-term growth in the business by focusing on increasing food volumes, improving our infrastructure and allocating our capital in the most effective manner. We also completed the exciting acquisition of 173 pubs from the Orchid Group, which gives us a great opportunity to grow further in the forthcoming years. The market in which we operate remains challenging and competitive, but we feel well-placed to continue to grow given the solid foundations of our business.

The last year has been full of activity for Mitchells & Butlers. I am delighted that we were successful in completing the acquisition of 173 sites from the Orchid Group. The opportunity to purchase this largely freehold, managed estate presented the type of acquisition unlikely to arise again in the near future, and is fully in line with our clear strategy of growing our share of the UK eating-out market. We are able to create value by converting the sites to our existing brands and formats, reducing central overheads and realising purchasing synergies. We welcome the Orchid team into our business.

In May we successfully concluded negotiations with the Pension Trustees regarding the triennial valuation of our schemes. Negotiations had been progressing since before the last valuation in March 2013, and we reached a settlement whereby company contributions increase at a manageable level to reduce the deficit over the agreed recovery period. I am delighted that we reached a positive agreement for both the Company and the Trustees.

I would like to praise and thank our people, now at more than 43,000, for their ongoing hard work in driving this business forward. We aim to delight every guest that eats and drinks with us, which we simply cannot achieve without the support and hard work of our people.

We continue to operate in a challenging market. It is clearly very encouraging to see the economic recovery taking place, however consumers have undoubtedly retained their focus on value and quality which developed during the recession. We therefore need to continue to perform at the top of our game to make every guest visit worthwhile.

Reflecting on the last year, we have achieved a great deal and generated further value for our shareholders. This has been achieved while continuing to set solid foundations for our long-term success.

Bob Ivell
Chairman

43,000

employees delighting our guests on a daily basis

173

largely freehold, managed sites acquired from the Orchid Group in June 2014

Mitchells & Butlers at a glance

We love building innovative brands and formats and run some of the country's best-known restaurants and pubs. So whether you're in the mood for an unlimited hearty breakfast with your family close to home, or a pint and some tapas in a buzzing city centre restaurant, we've a business to suit every occasion.



Harvester

A welcoming place for families to spend time together, have fun and share the pleasure of good, honest food. Enjoy our £4.99 unlimited breakfast, free, unlimited salad and fresh, tasty grilled meat and fish.

Number of sites

213



Ember Inns

Relaxed and welcoming suburban pubs, where conversation flows. We serve the best cask ales and classic pub food with a twist in stylish environments.

Number of sites

130



Toby Carvery

The home of the roast! Every day, your local Toby Carvery lays on a family-sized feast of tender, slow-cooked meats, eight lots of veg including crispy, ruffled roasties and all the trimmings. You'll find lots more on offer, such as tasty specials, all-you-can-eat breakfasts and even comfy accommodation at some of our restaurants.

Number of sites

158



Castle

If you like your pint served with real personality, pull up a chair in one of our eclectic urban pubs serving the best draught beer and great pub food. Each is decidedly individual, with a character to suit its community and an independence that attracts regulars as diverse and discerning as the beers on tap.

Number of sites

110



Heartland

A collection of the UK's friendliest pubs and carveries. What unites these pubs is unbeatable value for money, generosity and big-hearted service.

Number of sites

440



Nicholson's

If you share our passion for real ale, hearty food and a friendly welcome, you'll feel right at home at these traditional city and town centre pubs. Enjoy the timeless atmosphere that's been loved by groups of friends, colleagues and shoppers since our first pub opened in 1873.

Number of sites

80



Revenue by region (FY 2014)

% of sales (excludes Orchid pubs)

1	Total London	24
2	South East (ex. London)	15
3	West Midlands	14
4	North West	9
5	Yorkshire/Humberside	8
6	East of England	7
7	South West	7
8	East Midlands	5
9	Scotland	4
10	Wales	4
11	North East	3



All Bar One

At All Bar One, we've been running stylish city bars in central locations since 1994. Whether you want to catch up over cocktails, share a bottle of well-chosen wine or enjoy an excellent meal out, you'll find something, and somewhere, to suit you.

Number of sites

50

ALL-BAR-ONE



Miller & Carter

You will not experience a better steak than that at Miller & Carter. We put everything into pursuing the perfect steak, from the field to the butcher's block to the grill, so only the finest, most flavoursome cuts make it to your plate.

Number of sites

35

MILLER & CARTER
- STEAKHOUSE -



Alex

If you're out in a German city centre, these classic bars and brasseries are the perfect places to stop for a beer and a bite to eat. Soak up the sun in the outside eating area and try the classic meals, salads and healthy snacks that have made Alex one of Germany's leading brands.

Number of sites

41

ALEX



Browns

Since the first Browns opened in 1973, it's been providing delicious food and drink in beautiful surroundings with superb service. Many are in unique landmark buildings, so you can enjoy classic seasonal food and signature cocktails in everything from a stunning Mayfair ex-gentlemen's club to Bristol's beautiful old city museum.

Number of sites

27

ALL & DRINKING
BROWNS
Established 1973



Country Pubs

We are proud to manage over 300 of the best country pubs in the UK, all offering modern pub food and outstanding drinks served with care and character by our teams.

Number of sites

315

PREMIUM
Country
PUBS
VINTAGE
INN



Orchid

In June 2014, we acquired 173 pubs from the Orchid Group. These high quality, well-located, largely freehold pubs expand our share of the growing UK branded pubs and restaurants market. We will convert 96 of these businesses to our brands and formats over the next two years.

Number of sites

173

Chief Executive's statement



"Since I joined Mitchells & Butlers in October 2012, we have been committed to the fundamentals of our business plan. I remain confident that this is the right plan and will deliver sustainable profit growth and future shareholder value."

Alistair Darby
Chief Executive

We are the UK's largest operator of managed restaurants and pubs, with a high quality freehold estate and a portfolio of strong brands. Our strategy is to focus on the long-term growth of food within the £78bn eating and drinking-out market, with around three-quarters of our turnover coming from guests eating in our pubs and restaurants.

During the year we took a significant step to grow our business by acquiring 173 pubs from the Orchid Group. This acquisition enables us to create value through the conversion of the majority of these pubs into our own brands and formats, a reduction in its central overheads and the realisation of purchasing synergies across the whole estate.

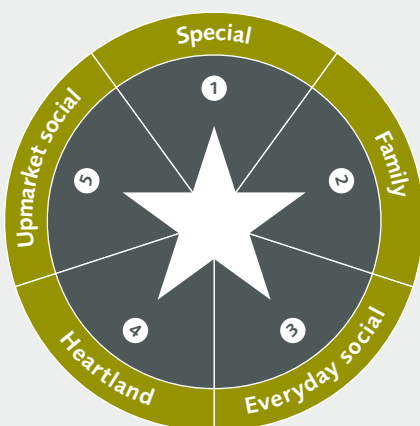
In a challenging year, we continued to position the business for future growth, whilst delivering increased earnings per share of 1.2%. We have delivered sales growth underpinned by volumes rather than price, invested further capital in both expansion into new sites and enhancement of amenity, and continued to upgrade our key systems. Together with the quality of our estate and our people, we have confidence going into the year ahead.

In this review I will update you on our market, and our well-established business model and strategy as well as our progress against the key measures we use to monitor our performance.

75%

Around three-quarters of our sales come from guests eating in our pubs and restaurants

Our market opportunities



We operate a wide range of brands and formats which offer food and drink across a broad spectrum of price points and occasions, from a casual meeting with friends to special occasion dining. We have identified five market spaces, accounting for around half of the £78bn eating and drinking-out market, on which to focus:

- | | |
|---------------------------|------------------------|
| 1 Special: | |
| • Browns | • Vintage Inns |
| • Miller & Carter | • Premium Country Pubs |
| 2 Family: | |
| • Harvester | • Toby Carvery |
| 3 Everyday social: | |
| • Ember Inns | |
| 4 Heartland: | |
| • Crown Carveries | • Sizzling Pubs |
| • Oaktree Pubs | • O'Neill's |
| 5 Upmarket social: | |
| • All Bar One | • Nicholson's |
| • Castle | • Alex |

Our vision

What we want to be famous for

Our mission

What we set out to achieve

Values

How the business behaves

Guests love to eat and drink with us.

Consistently deliver great service to our guests to drive repeat visits and recommendation, while delivering great financial results and shareholder returns.

- Passion
- Respect
- Innovation
- Drive
- Engagement

Our market

Where we operate

— Page 8

We recognise that we operate in a dynamic market with ever-changing circumstances. Our market is, in aggregate, a mature one with growth expected broadly to track GDP and consumer expenditure. However, there are dynamics within this market on which we can capitalise, namely the:

- growth in branded outlets
- continued growth in eating out
- consumers' continued focus on value
- consumers' demand for eating out at any time of day

Through our research we have identified five market spaces in which our businesses operate. We tailor our approach on the basis of the different dynamics of each of these spaces:

- Special
- Family
- Everyday Social
- Heartland
- Upmarket Social

Business model

How the business delivers value

— Page 10

Our business model is designed to maximise revenue and profit from our operations. We believe that by adopting industry-leading practices; recruiting, training and retaining

the best people; and by focusing on excellent customer service we will deliver long-term growth in profits and shareholder value.

Our strategy

How we will achieve our mission

— Page 12

Our strategic priorities remain unchanged to:

- focus the business on the most attractive market spaces within eating and drinking-out
- develop superior brand propositions with high levels of consumer relevance
- recruit, retain and develop engaged people who deliver excellent service for our guests
- generate high returns on investment through scale advantage
- maintain a sound financial base

Risks

How we manage our markets and operating environment

— Page 18

This section highlights the principal risks that affect the Company, together with the key mitigating activities in place to manage those risks. Key risks identified are reviewed and

assessed by the Risk Committee in terms of their likelihood and impact, in conjunction with associated risk mitigation plans.

KPIs

How we monitor our success

— Page 22

We measure our performance and progress against our strategy through five key performance indicators including two non-financial KPIs, relating to our ability to retain our employees and to the extent that

our guests would recommend our businesses to their friends and family. These KPIs are reviewed at every Executive Committee meeting and are central to our understanding of our performance.

Our market

We are operating in a dynamic market that is evolving constantly. We are continually reviewing the positioning and development of our brands and how we allocate capital between them. This approach has underpinned our growth in food and will ensure that our pubs, bars and restaurants remain relevant and competitive in the years to come.

During the year, the UK economy has grown led by London and the South East. Growth in the year ahead is forecast to be more evenly distributed across the UK, returning to areas that have been the most depressed since the economic downturn in 2007. Consumer confidence has started to increase and overall spending is up as a result. However, during the year earnings growth has remained below inflation causing consumers to remain highly value conscious. The careful spending behaviour developed during the recession is now the norm.

Despite being the largest UK operator of managed pubs and restaurants, we have only around a 3% share of this market and so there are significant opportunities for us to grow further.

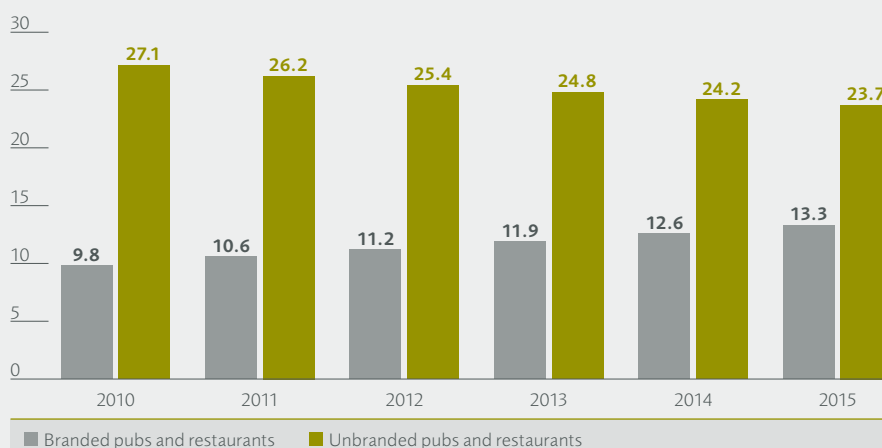
The market in which we operate is, in aggregate, a mature one with growth expected broadly to track GDP and consumer expenditure. However, there are a number of dynamics on which we can capitalise:

Growth in branded outlets

The pub and restaurant market continues to see growth in branded outlets at the expense of independent outlets. Coming out of the recession consumers increasingly look for the reliability and value that a brand can offer.

UK annual turnover

£bn

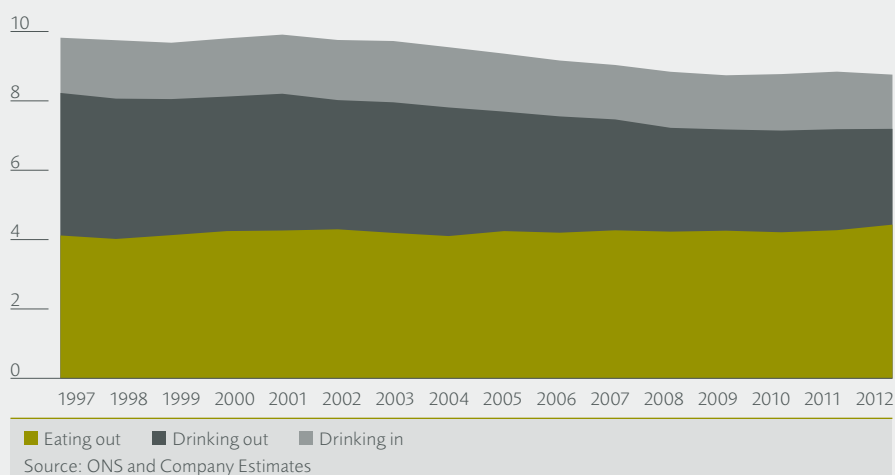


Food remains the route to growth

Food remains the principal opportunity for long-term sustainable growth. The ongoing structural decline in the drinking-out market is offset by growth in food-driven occasions out of the home. We benefit from being focused on eating-out. We are well-placed to take advantage of this long-term trend having a large number of excellent sites with a focus on customer service, quality and value.

UK consumer average spend

% of income



Value for money

Consumers continue to seek value for money despite a rebound in confidence and spending. As a large-scale operator, we are able to use our buying power to deliver quality experiences at affordable prices and so win market share.

I will continue to be more careful with my money even when the economic downturn is over



85%
of respondents

I carefully budget my finances each month



67%
of respondents

I shop around extensively to get the best deals



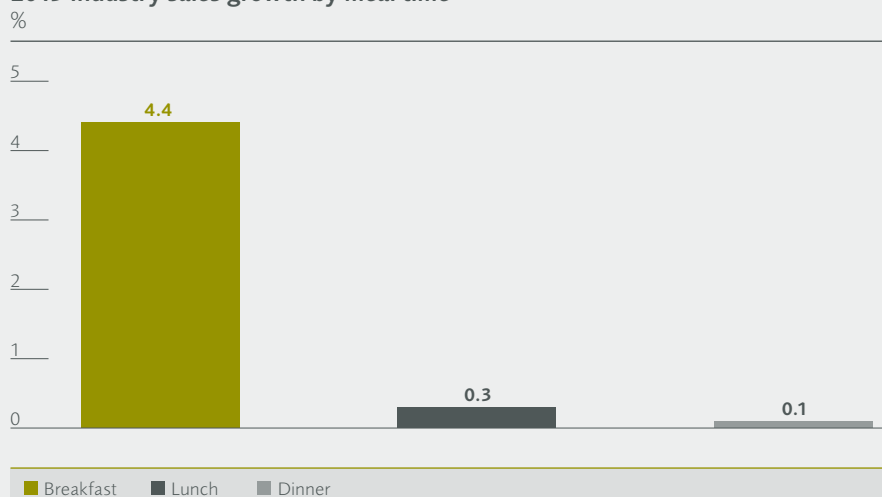
66%
of respondents

Source: Future Foundation, UK responses

Time of day

Consumers are increasingly happy to eat out at any time of the day. We believe that there is significant opportunity to benefit from all-day trading, in particular through breakfast, an occasion for which we have experienced rising demand within both our city centre and suburban brands.

2013 industry sales growth by meal time



Source: NPD Crest

Our brands and formats

Through our research we have identified five market spaces in which our businesses operate: Upmarket Social, Special, Family, Everyday Social and Heartland.

Market conditions in each of these spaces, as well as an understanding of how our brands and concepts sit within these, dictate how we operate and how we allocate our capital spend. We have developed two broad approaches to these market spaces: attractive expansionary investment and cash generation.

Attractive investment opportunities

The Family, Special and Upmarket Social segments currently present attractive opportunities for investment, with the market trends being towards branded food, special-occasion dining and speciality drinks offerings.

These are the segments towards which we allocate the majority of our expansionary capital, including that relating to the conversion of Orchid sites.

Four of our brands are being prioritised for further expansion: All Bar One, Harvester, Miller & Carter and Toby Carvery. These offer opportunities for growth because they meet the following key criteria:

- Established in attractive market segments;
- Capable of generating strong returns on expansionary capital;
- Compelling brand propositions; and
- Good availability of sites.

We will grow other brands in these market spaces through opportunistic acquisitions, if they are able to meet the criteria set out above.

Cash generation opportunities

The Heartland and Everyday Social segments are characterised by the need to offer great value and service to our guests in community pubs. In these segments our businesses generate significant profit and cash, but within market spaces that are not expected to grow as significantly as the other three.

These businesses continue to be valuable to us and have enduring appeal for their guests. As a result we look to grow them through consistently offering great prices, quality and service, as well as investing the necessary capital to ensure that our pubs continue to satisfy our guests' needs.

Our business model

Our business model represents how we aim to generate revenue and profit from our operations. We believe that by recruiting, training and retaining the best people; by focusing on excellent customer service; and by adopting industry-leading practices we will deliver long-term growth in profits and shareholder value.



Our People

We employ more than 43,000 people who are each vital to the successful running of our business. In a market typified by fierce competition and guests with high standards, our people are the key differentiating factor and help us to gain competitive advantage. Our approach to people is therefore to:

- recruit the right people at all levels of the organisation. We recruit our people to be great at hospitality – with a focus on personality rather than experience. We look to recruit people who will adopt our values of Passion, Respect, Innovation, Drive and Engagement, and who wish to progress within the organisation;
- induct and train our new people to support them through what can be a steep and pressurised learning curve. This involves strict compliance training to ensure our high standards are adhered to, but also welcoming them into a supportive environment so that they feel prepared when they are serving guests for the first time.

Where possible we look to promote to General Manager and beyond from within the organisation, offering a compelling reason to join our fantastic business; and

- retain our people by helping them build a career that works for them. We can use our scale to offer flexibility in the workplace as well as a fantastic and varied career path. We encourage our people to make the most of working for our brands, but also to develop and build a career with us. We offer nationwide opportunities across a range of formats and functions including front of house, back of house and in our Retail Support Centre.

Our Practices

Our practices refer to the way in which we approach all of our key activities, including compliance with legislation, how we conduct ourselves in interacting with our various stakeholders, and how we utilise equipment and technology. Consistent and faultless adoption of these practices gives the foundation for us to be able to operate outstanding pubs and restaurants for our guests to enjoy.

Our first and most important priority in carrying out these practices is safety. We set ourselves the highest standards to ensure that our businesses are safe for our people to work in and our guests to eat and drink in. These principles are paramount in everything we do, and are reflected in performance measures at all levels within the organisation.

We work with suppliers to deliver the best products at the best value to our guests. Our approach to supply chain management is to utilise our scale through volume suppliers

where appropriate, but also work in partnership with smaller specialist suppliers such as local farmers when it benefits the product and gives the best quality and value to our guests.

Our practices rely on us staying relevant in our approach to systems and technology. This includes appropriate back of house systems, payment systems to deal as efficiently as possible with any guest administration, and technology to support management information and decision-making.

Our Guests

Our aim is to delight our guests through each and every one of the 135 million meals and 435 million drinks we serve per year.

First and foremost we must welcome our guests into a clean, safe and friendly environment; these therefore represent key outputs from our focus on our practices and our people.

We then need to offer brand propositions that meet our wide-ranging and evolving guests' needs.

These offerings vary from an outstanding range of cask ales in Nicholson's and Ember Inns, value breakfasts within a number of our

brands, family roast dinners at the likes of Toby Carvery and Country Pubs, to special occasion dining at Miller & Carter or Browns.

We have dedicated employees focused on making all of these propositions available at great value for our guests.

Through this focus we aim for our guests to leave us having had a pleasurable and memorable experience, and one that they will highly recommend to friends and family to broaden our guest base further.

Our Profits

Through delivery of the above priorities, we will grow the same outlet like-for-like sales in our existing estate.

We aim to drive further shareholder value by investing our capital in focused areas to complement our guests' priorities while generating attractive returns. We have a strategic approach to investment, which principally focuses on four key brands due to a combination of market attractiveness and availability of locations. We also remain open to opportunistic expansion where available, subject to it delivering sufficiently attractive returns.

We focus on maintaining robust financial practices, including carefully managing the long-term financial stability of the business with the overriding aim of increasing shareholder value through both increasing earnings and the ongoing reduction in debt.

Our strategy

In this section we outline our established strategic priorities; update on the progress we have made in their execution during the year as well as our plans for FY 2015, and link them back to both the key risks and performance indicators that we monitor to run the business.

Our strategy

1 Focus the business on the most attractive market spaces within eating and drinking-out

2 Develop superior brand propositions with high levels of consumer relevance

3 Recruit, retain and develop engaged people who deliver excellent service for our guests

4 Generate high returns on investment through scale advantage

5 Maintain a sound financial base

FY 2014 progress

- The acquisition of Orchid is in line with our objective of increasing our share of the UK eating and drinking out market.
- Our expansionary capital expenditure was directed towards our strategically identified market spaces. We acquired an additional 23 sites throughout the year, all within these spaces (10 in Upmarket Social, 7 in Special, 6 in Family). We also converted 8 businesses to our brands and formats.

- We have continued to evolve each of our brand propositions by focusing on delivering exceptional guest experiences, particularly within Harvester, Castle, Nicholson's and Ember Inns and further enhancing the sport offering within Heartland.
- We opened All Bar One sites within transport hubs, including our first airport site.
- We have continued the rollout of our new EPOS systems project at pace, now reaching more than 1,300 outlets and enabling our teams to focus on providing great guest experiences. These systems include various technology upgrades including tills, payment and handheld order devices and kitchen management systems.

- Our 'Good to Great' principles continue to live throughout the business, driving teams' engagement.
- We have revised our process of retail team recruitment, with the aim of making best use of our scale and diversity to attract exceptional people.
- Our induction programme for new employees has been extended to reduce the number of our people who leave within the first three months of joining.
- We have committed to taking on an additional 1,000 apprentices over the next two years.

- We have completed the immediately earnings-accretive acquisition of 173 pubs from the Orchid Group.
- We have accelerated our remodel programme, which sees capital invested in refurbishing and maintaining amenity. We remodelled 174 businesses in FY 2014 compared to 97 in FY 2013. This programme has delivered EBITDA ROI in excess of 30%.

- We successfully renegotiated the terms of our contributions to the pensions deficit following the triennial valuation in March 2013.
- We have long-term debt financing secured on our large, predominantly freehold asset base.
- At the year end, our freehold property was revalued and we conducted an impairment review on other assets. Taken together, this resulted in an increase in value of £26m.
- Net debt increased to 4.5x EBITDA (FY 2013 4.2x), due to the use of cash in the acquisition of 173 pubs from the Orchid Group.



See our strategy in action
on page 14

FY 2015 priorities	Key risks	Link to KPI
<ul style="list-style-type: none"> • We begin the conversion of a significant number of the Orchid outlets into our own brands and formats. • We have an ongoing expansion programme which is primarily focused on the Special, Upmarket Social and Family segments. 	<ul style="list-style-type: none"> • Failure to anticipate pricing and market changes. • Failure to anticipate changes in consumer taste. 	<p>See KPIs B, C, D</p>
<ul style="list-style-type: none"> • We will continue to build on our market research to enhance the offering to our guests in terms of menu development and product ranges. • We will complete the new EPOS systems rollout, including the acquired Orchid businesses. • We are reallocating some of our maintenance capital expenditure towards the Heartland estate, to maintain the level of amenity for our guests. 	<ul style="list-style-type: none"> • Failure to anticipate pricing and market changes. • Failure to anticipate changes in consumer taste. 	<p>See KPIs B, C</p>
<ul style="list-style-type: none"> • Our focus remains on improving retail staff turnover, and in particular on reducing the number of employees who leave within the first three months of joining. We will achieve this by continuing our work on developing the recruitment and induction programme, as well as living 'Good to Great', to ensure our teams remain engaged and set up to deliver exceptional guest service. • Having welcomed them in FY 2014, we will continue to work with our people from the Orchid business, to share our ways of working and learn from their experiences. 	<ul style="list-style-type: none"> • Failure to attract, retain, develop and motivate the best people with the right capabilities. 	<p>See KPIs A, B, C</p>
<ul style="list-style-type: none"> • We will continue our focus on improving the efficiency of our investments. • We will convert around 50 of the Orchid sites into our own brands and formats, along with integrating around 70 sites into our Heartland estate. • The pace of our remodel programme will continue to increase, to get the business to a point where every site receives regular investment. 	<ul style="list-style-type: none"> • Cost of goods price increases (including energy). • Failure to attract high quality teams to operate newly opened restaurants and pubs. 	<p>See KPIs D, E</p>
<ul style="list-style-type: none"> • We will continue to prioritise long-term financial stability for the Group. 	<ul style="list-style-type: none"> • The pension fund deficit may increase, leading to increases in funding requirements. • Failure to meet our borrowing covenants. 	<p>See KPI E</p>



This is what happens when we get our strategy right...

Pippa Williams @PhilippaCake 

@MillerandCarter is my new favourite restaurant. Amazing first visit! #steakhouse #yummy

8.11pm – 23 September 2014





Louise Cage @CageLouised2500 

@HarvesterUK Derby pride park, never fails. Staff are fab, service is fab and food just amazing.

12.22pm – 30 September 2014



Our strategy in action

continued



Jamesy @jstutelybrown1 

Just had a lovely @tobycarvery –
great food and lovely, friendly staff!

5.46pm – 21 September 2014





Dominic Bright @Inane_musing 

First time in @yourallbarone in York and can honestly say, I've never been to a bar I liked more. The menu and the staff are just perfect.

8.59pm – 31 July 2014



Risk and uncertainties

This section highlights the principal risks and uncertainties that affect the Company, together with the key mitigating activities in place to manage those risks. This does not represent a comprehensive list of all of the risks that the Company faces, but focuses on those that are currently considered to be most relevant at the current time.

The Risk Committee met on three occasions in FY 2014 and continues to meet on a quarterly basis to review the key risks facing the business. Key risks identified are reviewed and assessed by the Risk Committee in terms of their likelihood and impact, within the Group's 'Key Risk Heat Map', in conjunction with associated risk mitigation plans.

The processes that are used to identify and manage risks are described in the internal control and risk management statement on pages 46 and 47.

Our key risks and how we manage them



Risk and control processes – 'Three lines of defence'

Senior management		Audit Committee	
↑	↑	↑	↑
1st line of defence <ul style="list-style-type: none"> Executive Committee Leadership group/management Internal controls and processes Internal policies and procedures Training 		2nd line of defence <ul style="list-style-type: none"> Financial authority limits Risk management processes Risk Committee Health and safety Technology Legal 	
		3rd line of defence <ul style="list-style-type: none"> Group Assurance External audit Retail control 	

Risk	Risk description	Mitigating activities
<p>Market risks: Consumer taste and brand management</p> <hr/> <p>Pricing and market changes</p>	<p>Social and demographic changes are driving the long-term growth in eating-out while at the same time leading to a steady decline in the sales of on-trade drinks without food. These changes, together with other developments in consumer taste may reduce the appeal of Mitchells & Butlers' brands to its guests, especially if the Company fails to anticipate and identify these changes and respond to them adequately and promptly.</p> <hr/> <p>External influences, such as changes in the general economic climate or competitor activity, could have a detrimental effect on consumers' spending patterns and therefore the Company's revenue, profitability and consequently the value of its assets.</p>	<p>In FY 2013, the Company conducted a major piece of consumer research, interviewing 8,000 consumers about 14,000 leisure occasions. This research examined macroeconomic trends, consumer dynamics, competitor and internal brand positioning and the Company's strengths and weaknesses. The business continues to implement the outputs from this project to refine further its brand positioning and ensure the portfolio's continued relevance for guests. This is discussed in detail in the Business review on pages 24 and 25.</p> <p>The Company uses an online guest satisfaction survey to collect guest feedback. This feedback together with the results of research studies is monitored and evaluated by a dedicated guest insight team to ensure that the relevance to guests of the Company's brands is maintained.</p> <p>Net promoter score, as defined on page 22, is the key measure of success in this area, and this has improved from 59% in FY 2013 to 63% in FY 2014.</p> <hr/> <p>Mitchells & Butlers is focused on the long-term potential of the eating-out market. The Company owns sites across the UK with a wide spectrum of offers targeted at different consumer groups and leisure occasions. This range allows the Company to respond to changes in consumer expenditure either by flexing our offerings or by substituting a different brand at a particular location. This activity is supported by dedicated Sales and Margin Managers and Asset Planning teams which analyse and evaluate a range of information including that in respect of competitors.</p>

Risk and uncertainties

continued

Risk	Risk description	Mitigating activities
<p>Operational risks: Cost of goods price increases (including energy price increases)</p> <hr/> <p>People planning and development</p> <hr/> <p>Business continuity and crisis management</p>	<p>Increases in the price of goods for resale and utilities costs as a result of increases in global demand and uncertainty of supply in producing nations can have a significant impact on the cost base, consequently impacting margins.</p> <hr/> <p>Mitchells & Butlers has a strong guest focus, and as such it is important that it is able to attract, retain, develop and motivate the best people with the right capabilities throughout the organisation.</p> <hr/> <p>Mitchells & Butlers relies on its food and drink supply chain and the key IT systems underlying the business to serve its guests efficiently and effectively. Supply chain interruption, IT system failure or crises such as terrorist activity or the threat of disease pandemic might restrict sales or reduce operational effectiveness.</p>	<p>Mitchells & Butlers leverages its scale to drive competitive cost advantage and collaborates with suppliers to increase efficiencies in the supply chain. The fragmented nature of the food supply industry on the world commodity markets gives the Company the opportunity to source products from a number of alternative suppliers in order to drive down cost. The Company continually evolves the composition of menus and retail prices in order to optimise value to the guest as well as profits for the Company.</p> <p>The energy procurement strategy seeks to reduce the risk of cost increases and uncertainty over energy prices by a rolling programme of short and medium-term purchases against forecast requirements. A dedicated energy management team is responsible for optimising energy usage across the organisation by promoting energy efficient working practices via training and educational programmes and by the installation of energy efficient equipment.</p> <hr/> <p>The Company makes significant investment in training to ensure that its people have the right skills to perform their jobs successfully. Furthermore, an employee survey is conducted annually to establish employee satisfaction and engagement and this is compared with other companies, as well as previous surveys. Where appropriate, changes in working practices are made in response to the findings of these surveys.</p> <p>Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process is used to provide structured succession planning.</p> <p>Staff turnover is the key measure of success in this area and in FY 2014 the Company has maintained the low rate of 78%, as seen in FY 2013.</p> <hr/> <p>The Company has in place crisis and continuity plans that are tested and refreshed regularly.</p> <p>In September 2014, the Company's third party back-up facility, for Retail Support Centre employees, was successfully tested to ensure critical business systems are able to function in the event of a disaster.</p>

Risk	Risk description	Mitigating activities
<p>Finance risks: Borrowing covenants</p> <hr/> <p>Pension fund deficit</p>	<p>There are risks that borrowing covenants are breached because of circumstances such as:</p> <ul style="list-style-type: none"> i. A change in the economic climate leading to reduced cash inflows; or ii. A material change in the valuation of the property portfolio. <hr/> <p>The material value of the pension fund deficit remains a risk.</p>	<p>The Company maintains headroom against these risks. The finance team conducts daily cash forecasting with periodic reviews at the Treasury Committee, the roles of which include ensuring that the Board Treasury Policy is adhered to, monitoring its operation and agreeing appropriate strategies for recommendation to the Board. In addition, regular forecasting and testing of covenant compliance is performed and frequent communication is maintained with the Securitisation Trustee.</p> <hr/> <p>The Company has made significant additional contributions to reduce the funding deficit. In May 2014, the Company reached agreement on the triennial valuation of the Group pension schemes as at 31 March 2013, at an increased funding shortfall of £572m (March 2010 valuation £400m).</p>
<p>Regulatory risks: Failure to operate safely and legally</p>	<p>A major health and safety failure could lead to illness, injury or loss of life or significant damage to the Company's or a brand's reputation.</p>	<p>Mitchells & Butlers maintains a robust programme of health and safety checks both within its restaurants and pubs and throughout the supply chain. The dedicated Safety Assurance team uses a number of technical partners including food technologists, microbiologists and allergen specialists to ensure that our food procedures are safe. Regular independent audits of trading sites are performed to ensure that procedures are followed and that appropriate standards are maintained. Food suppliers are required to meet the British Retail Consortium Global Standard for Food Safety and are subject to regular safety and quality audits. Comprehensive health and safety training programmes are in place.</p>

Key performance indicators

We measure our performance and progress against our strategy through five key performance indicators. This year, we have included two non-financial KPIs, relating to our ability to retain our employees and to the extent that our guests would recommend our businesses to their friends and family.

These KPIs are reviewed at every Executive Committee meeting and are central to our understanding of our performance. Our performance in the year was as follows:

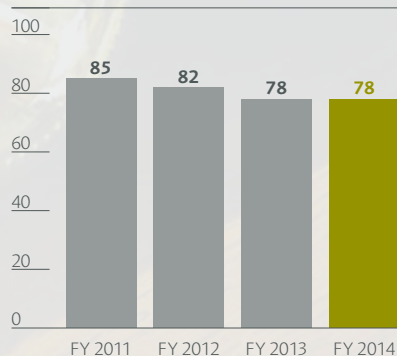
KPI	KPI definitions	2014 performance
A. Staff turnover See strategy point 3	The number of leavers in our retail businesses, expressed as a percentage of average retail employees. This measure excludes site management as well as employees who leave and rejoin the business within the same year.	Maintained the historical low of 78% seen in FY 2013.
B. Net promoter score See strategy points 1, 2, 3	The net promoter score for a pub is defined as the percentage of responses where we score 9 or 10 out of 10 ('brand promoters') less the percentage of responses where we score 0 to 6 out of 10 ('brand detractors') to the statement "I am likely to recommend this pub to a friend and/or relative". Responses scoring 7 or 8 ('passives') are ignored in the calculation.	Increased by 4ppts to 63%.
C. Same outlet like-for-like sales growth See strategy points 1, 2, 3	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.	Like-for-like sales grew by 0.6% in FY 2014.
D. Incremental return on expansionary capital See strategy points 1, 4	Expansionary capital includes investments made in new sites and investment in existing assets that increases the trading area or materially changes the guest offer. Incremental return is the growth in annual site EBITDA, expressed as a percentage of expansionary capital.	Fallen slightly to 16% (FY 2013 17%) due to a greater proportion of recent freehold investments.
E. EPS growth See strategy points 4, 5	Adjusted earnings per share for the year compared to last year, as reported in the financial statements, expressed as a percentage.	Adjusted earnings per share increased by 1.2% to 32.6 pence.

As a measure of overall profitability and shareholder value creation, EPS growth forms a key part of the Group's remuneration policies for Directors and other employees. Full details of the various schemes in operation are shown in the Report on Directors' remuneration.

Four-year trend

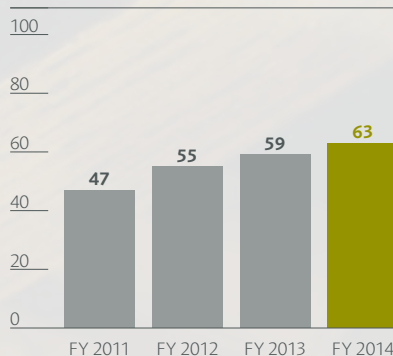
A. Staff turnover %

78% FY 2014



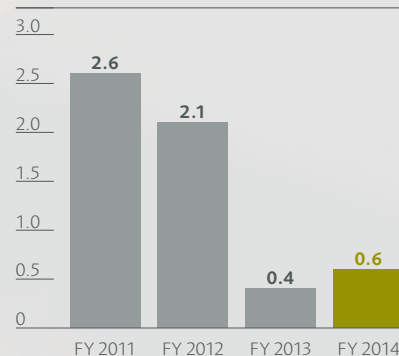
B. Net promoter score %

63% FY 2014



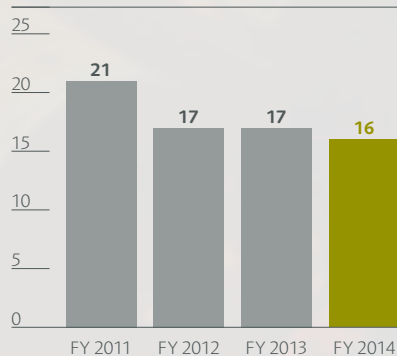
C. Same outlet like-for-like sales growth %

+0.6% FY 2014



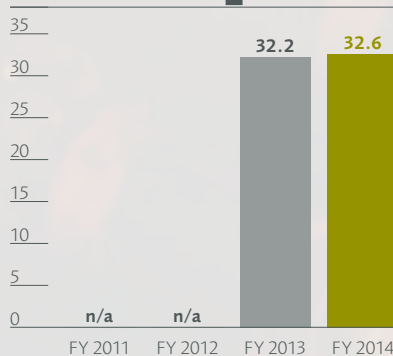
D. Incremental return on expansionary capital %

16% FY 2014



E. EPS growth pence

32.6p FY 2014



Note: Adjusted earnings per share was affected by the adoption of IAS 19 (revised) on 29 September 2013 and has been applied retrospectively to FY 2013 in accordance with the transition provisions. FY 2011 and FY 2012 are therefore not comparable.

We continue to operate and measure our business performance across four priority areas: our people, our practices, our guests and our profits.

Our performance

We continue to operate and measure our business performance across four priority areas: our people, our practices, our guests and our profits.

Our people

Our key measure of success with regards to our people is retail staff turnover, which remained in line with the prior year at 78%. Whilst we have succeeded in maintaining this at its record low we will continue to focus on it.

Our approach to people is founded on our 'Good to Great' philosophy, which adapts our ways of working to engage with our teams, empower them to make their own decisions, and ultimately to drive stronger performance. This is now live in the majority of the estate, and at its best is delivering exceptional results.

In the last year we have also reviewed the way we recruit our team members. We have introduced collective recruitment days across multiple brands and concentrated geographical regions. This approach allows us to demonstrate the scale of our business and the career opportunities available to potential future employees.

We are proud of our investment in young people, which currently sees more than 1,500 people on a vocational or apprenticeship programme. We have pledged to take on a further 1,000 apprentices over the next two years.

We are delighted to have announced two high-quality and experienced external appointments to the Executive team. Catriona Kempston has assumed responsibility for Marketing and Phil Urban joins us in January as Chief Operating Officer.

Our practices

Our practices refer to the safe and efficient way that we run our operations. We continue to make safety a top priority, and challenge all of our businesses to achieve the maximum national Food Hygiene Rating Scheme score of 5. We have made further progress towards achieving this goal in the last year.

The project to replace all of the EPOS systems in our pubs and restaurants has continued to be rolled out at pace. They are now live in more than 1,300 sites with the project due to be completed in FY 2015. These systems enable greater efficiency within our operations by speeding up order taking and bill payment, improving business controls, and allowing our retail teams to spend more time with our guests. Further detail is included within the Financial review.

We have made a significant change to the way in which our operations teams make decisions, with the provision of dashboard analysis on tablets for all General Managers and Area Managers. This analysis allows prioritisation of decisions based on real-time data, and is an important step forward in the day-to-day management of the operations of our businesses.

1,500

Currently we have more than 1,500 people on a vocational or apprenticeship programme

Our guests

Our key measure for understanding how we are seen by our guests is net promoter score^a, which measures how likely our guests are to recommend us to friends and family. In FY 2014 our net promoter score increased by 4 ppts to 63%.

Our focus on guests is evident in the development of our food volume growth throughout FY 2014. Following several years of spend per head increases, we have concentrated on driving our food sales through volume rather than price growth. We aim to deliver consistently great value to our guests and to build trust in our brands. We remain committed to driving this volume growth by offering ongoing value through our menus rather than by short-term promotional activity.

Our focus on brands and value to meet our guests' needs can be demonstrated with a number of examples:

- We offer consistently great value through Toby Carvery: a carvery meal during the week for £5.99, and unlimited breakfast for £3.99;
- We are innovating to drive the Harvester brand by making significant changes to food and drink menus, the breakfast offer, branding and design; and
- We have evolved All Bar One's food and drink offer with a clear focus on its target market of professionals and shown that it can be successful in a greater diversity of locations.

Our remodel programme is aimed at enhancing our existing businesses, to ensure that they surpass our guests' high standards. We have actively increased the pace and level of expenditure on remodels. 174 businesses were remodelled in FY 2014, compared with 97 in the prior year, generating returns in excess of 30%.

Our profits

In FY 2014 we increased our adjusted earnings per share by 1.2% to 32.6 pence, based on higher sales and the contribution from Orchid, as described further in the Financial review. Our operating margins fell by 50 basis points, reflecting some short-term impact of the integration of Orchid, the increased closure costs from the accelerated remodel programme, and the growth in sales derived primarily from volume rather than price.

Outlook

Since I joined Mitchells & Butlers in October 2012 we have been committed to the fundamentals of our business plan. I remain confident that this is the right plan and will deliver sustainable profit growth and future shareholder value.

The actions we have taken are gathering momentum: we have seen staff turnover improve, net promoter score increase, a turnaround in food volume performance, increased levels of remodel and expansionary capex, and substantial investment in our systems. We are excited about integrating the Orchid estate into our leading portfolio of brands, and we have a fantastic team of more than 43,000 people to support our progress. Whilst we continue to operate in a challenging and competitive market, we are making real progress and we have confidence in our future success.

Alistair Darby Chief Executive

a. Net promoter score is defined as the percentage of responses where we score 9 or 10 out of 10 ('brand promoters') less the percentage of responses where we scored 0 to 6 ('brand detractors') to the statement "I am likely to recommend this pub to a friend and/or relative". Responses scoring 7 or 8 ('passives') are ignored in the calculation.

63%

Our net promoter score in the year increased by 4 percentage points to 63%

174

We remodelled 174 businesses in the year compared with 97 in the prior year



Corporate social responsibility



750

The number of new jobs we have created

£60k

We raised over £60,000 in support of the Prince's Trust Million Makers initiative

90+

Tonnes of salt removed from our menus

2,914

Food waste recycling has generated enough electricity to power 2,914 UK households

1,000

We are creating 1,000 apprenticeships over the next two years



Our guests trust us to serve good food that represents good value for money, which is safely prepared and cooked.



We continue to build our reputation as a socially responsible retailer through focusing on four key areas which most impact our business practices:

- Our guests
- Our people
- Our communities
- The environment

More information can be found in our Social Responsibility Review 2014 which can be found at www.mbplc.com/responsibility

Good food

Our guests trust us to serve good food that represents good value for money, which is safely prepared and cooked. They also trust us to source food that is both sustainable and ethical, with due regard for high standards of both workers' and animal welfare.

What's in our food?

Nutrition

We continue to look for the most effective way to present nutritional information to our guests across our portfolio of brands. By using our guest insight to understand better our guests preferences and priorities, we can develop our nutritional messaging to ensure it remains effective. We believe our focus should be on communicating ingredients, healthy cooking techniques, the freshness of our food and providing healthier options to enable our guests to make an informed choice when eating with us.

Harvester, Toby Carvery and Crown Carveries publish nutritional information online for their core menu items.

In All Bar One, Ember Inns and a number of our Heartland pubs, meals that contain 700 calories or less are highlighted on the main menus. In Harvester, we print calorific values on all our menus including the Young Guests menu.

Chefs in any of our businesses will happily respond to a guest's request to swap to a healthier option, for example, a side salad in place of potatoes, and wherever possible, serve dressings and sauces separately.

The development of our Young Guest menus continues to be a focus for the business, and our Company Nutritionist has joined the Scottish Government Working Group on developing guidance for caterers on healthy options for children's menus.

Allergens

We are compliant with the new EU legislation, which will come into effect in December 2014, concerning the availability of information about 14 common food allergens.

Salt

We pledged to deliver a number of initiatives to help and support our guests to consume less salt as part of our commitment to the Public Health Responsibility Deal.

In the last 12 months, we have continued to work with our suppliers to reduce the salt content of the products we use. We reduced the salt content of over 25 products that contributed the most salt to our supply chain, in line with Responsibility Deal Salt Pledge targets and as a result during FY 2014 we removed over 90 tonnes of salt from our menus, based on annual volumes. This includes over 63 tonnes removed from our popular beef and onion gravy served in Toby and Crown Carveries. We delivered this salt reduction initiative without compromising on food safety, taste or quality, through working closely with our suppliers and providing sensory training to our development chefs.

We are continuing our ongoing trials of a mineral salt blend, which contains less sodium than standard salt and therefore could help reduce the amount of salt our guests consume. In the trial businesses the mineral salt is being used in the kitchen during the cooking process and also replaces standard table salt.

Trans fats

We do not use hydrogenated vegetable fats in our food; this policy has been in place since January 2013. The level of trans fats in our frying oils is limited to a maximum of 2% but typically the level is less than 1% trans fatty acids in fresh cooking oil. This year, we implemented a policy of best practice oil management, which includes clear processes to heat the oil to the correct temperature, change the oil regularly and to not turn the fryers on until in use – minimising any increase in trans fats caused by heating and reheating the oil.

Food sourcing

We work closely with a network of trusted suppliers to source the best quality ingredients for our menus. When buying our food we ensure our high food safety standards are met, we are sourcing quality products, and we are taking into account provenance and price.

All our food suppliers are required to comply with the British Retail Consortium's technical standard which requires their staff to be properly trained and supervised and for the supplier to meet high standards of food safety.

We are proactively working with our suppliers to improve the quality and range of products available within the Mitchells & Butlers' supply chain.

Corporate social responsibility

continued

We have completed the first year of working with a group of farmers located in the National Parks to rear lamb. We are featuring selected cuts on our Browns and Castle pubs menus, offering our guests British lamb that is fully traceable and of excellent quality.

We are part of an integrated supply chain team that includes Morrisons and McDonald's, to take beef steaks from black and white bull calves produced from dairy herds, which would otherwise be destroyed on farms. These animals are reared to strict protocols and we work with a rearing company and processor to utilise the steak meat produced.

We continue to strengthen our relationships with UK growers, working direct where possible to remove the wholesaler's margin and delivering fresher seasonal products to our kitchens. For example, we use British strawberries when in season and all our fresh potatoes in Toby and Crown Carveries are British. We have also begun a trial to grow our own potato crop through a direct supply contract at Brechin in Scotland.

Our Cattle Scheme continues to develop and we are now working with 21 farmers, rearing around 1,400 calves under our direct contract agreements. The first animals will be ready in Spring 2015, giving us a supply of around 20 animals every week, all fully traceable from farm to fork.

This scheme has enabled us to work with a high calibre of experienced farmers to ensure we are rearing livestock to excellent standards. This includes Paul and Charlotte Parfitt, who have won a National Trust Fine Farm Produce Award 2014 for their beef production.

We take responsible sourcing extremely seriously and recognise concerns about the sustainable sourcing of fish. We are committed to working with our supplier base to ensure well managed and sustainable fishing practices are in place. For example, we source line caught cod for our menus in a number of our brands.

We have an annual spend (cost value) of over £19m on beef and poultry products that are covered by Red Tractor accreditation, the UK's largest food assurance scheme. These products are endorsed on our menus using the Red Tractor logo. For example, we use British chicken in Harvester, all our beef in Toby Carvery and Harvester is of British and Irish origin, and we use 100% British beef in Miller & Carter.

We won two awards at the British Turkey Awards 2014 – Food Service Operator of the Year and Best Food Service. These awards demonstrate the hard work, commitment and support that Mitchells & Butlers and Toby Carvery have given to British farming, and in particular the British turkey industry.

Food safety

We have made a commitment to increase the number of our businesses that achieve a 4 or 5 star food hygiene rating. We take a zero tolerance approach to any of our businesses that achieve a score of 3 or below. We continue to strive for a score of 5 in each business and conduct independently commissioned audits in all of our businesses at least twice per year. We have rigorous checks and policies in place to ensure we do things right and we consult regularly with Government and local authorities to ensure we maintain the highest standards in food safety. We are currently investing significantly in upgrading our safety training including Food Safety, Fire Safety and Health and Safety training. In addition we have increased the internal supportive resource available to our operations teams.

Serving alcohol responsibly

As a responsible operator we are determined to build, promote and maintain a culture of responsible retailing across the Company.

Our Alcohol and Social Responsibility policy promotes good practice in the responsible retailing of alcohol through our employee training, safe operational practices and responsible pricing and promotions.

Challenge 21 is a fundamental part of our employee training programme and includes regular refresher training to help ensure that our retail teams are fully aware of their licensing responsibilities and not serving alcohol to anyone underage.

We do not operate any 24 hour licences.

As part of our commitment to promote a responsible approach to retailing alcohol, we support and work in partnership with a number of organisations including Drinkaware Trust, Pubwatch, Best Bar None, the BIIAB, London Security Council and Association of Licensed and Multiple Retailers (ALMR).

We encourage our brands to promote responsible drinking messages, where appropriate, to our guests through our websites, social media pages and in-house promotional materials.



drinkaware.co.uk
for the facts



Working with us

With over 100 years' experience in the hospitality industry, we can offer our employees and future employees a huge range of career opportunities. Through our people strategy we are striving to attract, develop and retain the best talent. Everything we do as a business is built on the enthusiasm and professionalism of our people.

Attracting the best talent

Last year we created c750 new jobs by opening new retail sites across the UK.

Nurturing and developing our people

A new induction has been launched to give new team members the best start possible when joining the Company.

We have expanded our Accredited Coach and Coaching Ambassador network and given every General Manager, every functional manager and many Assistant Managers and Kitchen Managers the opportunity to learn Coaching Foundations.

We currently have over 1,500 learners on a vocational or apprenticeship programme for which we achieved a highly commended award at the National Apprenticeship Awards this year. We have pledged to take on a further 1,000 over the next two years. Additionally, we are working in partnership with Believe in Young People, offering over 200 work experience places for 14-18 year olds who wish to explore a career in hospitality, with a natural lead into our apprenticeship scheme.

Rewarding and recognising our people

More and more of our people are taking advantage of our benefits platform *pickaperk*, which offers exclusive discounts with an extensive range of retailers through instant vouchers, cashback or reloadable cards. Since its launch in February 2013, our people have purchased discounted goods to the value of £1.3m.

Through *pickaperk*, our people can also apply for our salary sacrifice schemes, childcare vouchers and cycle to work scheme. In addition, our people have access to a wide range of company benefits, such as Sharesave, Free Shares, pension for eligible/entitled workers and dental plans.

pickaperk

We launched our 'Recognising You' scheme where line managers across Mitchells & Butlers can officially recognise our people when they achieve key milestones from one year to 45 years, personalised 'Thank You' cards to recognise hundreds of employees who demonstrate living our values and also award pre-loaded gift cards.

This year our 'Dine with us' employee discount scheme launched onto a digital platform, improving access for our people to enjoy a 20% discount when dining in one of our restaurants or pubs.

Retaining top talent

Retail team member turnover is at a historical low.

Mitchells & Butlers achieved Top 100 Graduate Employer status in 2014 for the second year running.

We achieved a highly commended accreditation at the West Midlands National Apprenticeship Awards, for the quality of our vocational programme and our commitment to developing our people through nationally recognised Apprenticeship qualifications.

Listening to our people

Every year we circulate our employee engagement survey, 'Your Say' to understand better what is important to our employees. In July 2014, 72% (27,869) of our people responded to the survey. We were delighted that engagement levels for our retail employee and General Manager groups beat benchmark results and that our central retail support team engagement scores continue to trend upwards year-on-year.

Diversity

Mitchells & Butlers is committed to providing equal opportunities for all of our employees.

Our Diversity Policy ensures that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities.

The policy confirms that there will be no direct or indirect discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, colour, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

The table below provides a breakdown of the gender of Directors and employees at the end of the financial year:

	Men	Women
Company Directors	8	1
Other senior managers	46	19
All employees	21,018	21,927

Our communities

By supporting our people and businesses across a spectrum of charitable activities and fundraising, we continue to build strong relationships with our guests and neighbours, and give back to the communities in which we operate.

The Good Cause Fund

This fund provides help for our pubs and restaurants to boost their local fundraising. Last financial year we donated over £9,500 to a number of deserving charities and groups.

Employee donations programme

This fund provides donations for individual Mitchells & Butlers employees (and retired employees) to support a personal charity event or challenge of their choice. In FY 2014 we made donations of around £19,500 to a large number of local and national causes including Macmillan Cancer Support, Parkinson's UK and Action for Children.

Corporate social responsibility

continued



Supporting The Prince's Trust

In our final year of support for The Prince's Trust we made a Company donation of £15,000. As part of our support for the youth charity, a team of enthusiastic employees took part in the Prince's Trust Million Makers fundraising initiative, where teams compete to raise as much money as possible by setting up mini-enterprises. The Mitchells & Butlers team, Team Pride, raised over £60,000 in a variety of innovative ways. Over 80 teams across the country competed to raise the most money for The Prince's Trust, with Mitchells & Butlers ranking fourth in the national competition, and being named 'top fundraiser' in the West Midlands.

Marie Curie Cancer Care

Once again all our businesses worked together to support the Marie Curie Great Daffodil Appeal. All of our restaurants and pubs sold daffodil pins during March 2014 and raised a total of £15,743 for the charity. The money raised will help Marie Curie to provide over 787 hours of nursing care to patients and their families.

Our businesses giving back

In June, Crown Carveries offered armed forces personnel and veterans a free carvery meal or breakfast, for the sixth year running, to mark Armed Forces Day. The brand donated a total of 2,806 meals.

Our restaurants and pubs supported the Royal British Legion Poppy Appeal in November 2013 selling thousands of poppies to raise funds for thousands of serving and ex-Service people.

As part of a hugely successful St. Patrick's week of events in O'Neill's, each pub chose a local charity to support and raise funds for. In addition to this, the O'Neill's brand teams also helped to do their bit by completing various challenges. In total the 45 pubs, as well as the brand teams, managed to raise over £40,000 for good causes.

Environmental awareness

Our aim is to manage our energy, waste and water consumption effectively to minimise our environmental footprint and reduce costs to the business.

Energy and Greenhouse gas emissions

Our proactive management of energy consumption, procurement and carbon emissions continues to deliver significant benefits to our business against a backdrop of increasing food sales volume. During the last year our electricity, gas and water costs have reduced by 4.2% through a combination of behavioural change programmes and investment in making our buildings and equipment more energy efficient. This has resulted in a 2.2% reduction in our greenhouse gas emissions per £m turnover during the 2013/14 tax year.

A full disclosure of our greenhouse gas emissions can be found on page 41.

Back of house lighting

We have successfully replaced almost 26,000 fluorescent light fittings across the estate with new energy-efficient fluorescent fittings. This has helped us to make considerable savings on energy consumption as well as improving lighting levels for our people.

Heat recovery from cellars

We have fitted heat recovery units in cellars wherever possible. This has not only allowed the recovery of heat, but also reduced maintenance costs by allowing other equipment in the cellars to operate in cooler conditions.

Free air cellar cooling

Free air cellar cooling units have been fitted across the estate. This system draws in cool air from outside when ambient air temperatures drop below 8°C and turns off the traditional cellar cooling system, saving energy.

Kitchen extraction automated controls

Automated controls have been fitted at compatible businesses to ensure that the extract and air supply fans run at the lowest speed at all times to minimise energy usage.

Water consumption

We are working with manufacturers and our suppliers to reduce the amount of water we use. Most recently we have fitted motion detection controls in urinals, which reduce water wastage by managing the number of flushes and Hippo bags which reduce the volume of water used for each toilet flush.

Waste management

We continue to drive successfully our waste disposal strategy, focused on reducing, reusing and effectively recycling the waste generated by our restaurants and pubs. We recycle the equivalent of 900 tonnes of cardboard, 850 tonnes of glass, 100 tonnes of plastic and 100 tonnes of aluminium every month. The food waste produced in our businesses has been used to generate green electricity. This has helped produce enough electricity to power 2,914 UK households with electricity for a month, as well as saving over 462,000kg of CO₂ every month. Our combined recycling initiatives divert over 90,000 tonnes from landfill every year.

We realise that recycling and diverting waste from landfill are just the first steps towards minimising and ultimately removing waste from our estate. Therefore we have recently begun to trial new and innovative technologies to reduce the waste we produce and to actively derive value and revenue from the resources in our waste.

Financial review



"The Group's total revenues increased by 4.0% to £1,970m as a result of both growth in like-for-like sales and the contribution of new pubs and restaurants."

Tim Jones
Finance Director

On a statutory basis, profit before tax for the period was £123m (2013 £142m), on sales of £1,970m (2013 £1,895m).

The Group Income Statement discloses adjusted profit and earnings per share information that excludes exceptional items to allow a better understanding of the underlying trading of the Group. Adjusted earnings per share increased by 1.2% in FY 2014 to 32.6 pence.

At the end of the financial year, the total estate comprised 1,775 managed businesses and 57 franchised businesses, in the UK and Germany.

Changes in accounting policies

IAS 19 (revised) was adopted on 29 September 2013 and has been applied retrospectively.

In addition following recent best practice guidance from the Financial Reporting Council (FRC), the net pensions finance charge is now recognised within underlying profit, having previously been classified as an other adjustment alongside identified exceptional items. As a result, additional finance charges of £11m in FY 2013 and £10m in FY 2014 have now been included as interest within adjusted profit.

Revenue

The Group's total revenues increased by 4.0% to £1,970m, as a result of both growth in like-for-like sales and the contribution of new pubs and restaurants, including 15 weeks of trading from the 173 outlets acquired from Orchid.

Total like-for-like sales increased by 0.6%, with growth from both food and drink sales. Food sales growth was driven by volume growth of 0.9%, partially offset by a small reduction in average spend per head. Drink sales growth, by contrast, resulted from average spend growth of 1.6% and volume declines of 1.1%.

Like-for-like sales growth	Week 1-28 FY 2014	Week 29-52 FY 2014	Week 1-52 FY 2014
Total	1.1%	0.1%	0.6%
Food	0.9%	0.5%	0.7%
Drink	1.3%	0.4%	0.5%

Operating margins

Adjusted operating margins across the year declined by 0.5 ppts. Whilst Orchid contributed operating profit of £6m to the Group for its 15 weeks of trading, it was slightly dilutive to margin in the period, with the head office yet to be closed and businesses yet to be converted to our own brands and formats. These conversions begin in the first quarter of FY 2015, with the head office also to close during FY 2015.

Operating margins have also been impacted in the year both by increased closure costs relating to the accelerated remodel programme in order to reposition the estate, and the fact that volume, as opposed to spend per head, has been the driver of food sales growth in the year. Adjusted operating profit was £313m for the year, 1.0% higher than FY 2013.

£313m

Adjusted operating profit was 1.0% higher than last year at £313m

Financial review

continued

32.6p

Adjusted earnings per share were
1.2% higher than last year at 32.6p

Internal rent

A regime of internal rents is in place to enable greater internal transparency around the performance of freehold and leasehold properties and external transparency concerning the performance of the operating and property functions. The operating performance is monitored on a regular basis through a system of profit reviews through all levels of the Group. Estate management is primarily monitored through the Portfolio Development Committee.

	Operating		Property		Total (before exceptional)	
	£m	vs LY %	£m	vs LY %	£m	vs LY %
Revenue	1,970	4.0%	–	–	1,970	4.0%
EBITDAR	475	1.3%	–	–	475	1.3%
External rent	(53)	(8.2%)	–	–	(53)	(8.2%)
Internal rent	(201)	4.7%	201	4.7%	0	–
EBITDA	221	(3.1%)	201	4.7%	422	0.5%
EBITDA %	11.2%	(0.8 ppts)	–	–	21.4%	(0.8 ppts)

Interest

Net finance costs of £141m were £2m higher than the prior year. The factors behind this net increase were: step-up margins applied to four floating rate securitised notes from September 2013; additional interest incurred on a £147m liquidity facility drawn down under the terms of the securitisation; and the cost of new facilities put in place to finance the acquisition of Orchid.

As stated above, the net pensions finance charge of £10m (FY 2013 £11m) is now included within adjusted profits. The charge for FY 2015 is anticipated to be £16m.

Taxation

The tax charge of £30m in the year represents an effective rate of 24.4% (FY 2013 9.9%). The increase in the effective rate is principally due to a one-off £18m credit to deferred tax included in FY 2013 reflecting the reduction in the main rate of corporation tax to 20% from April 2015.

Exceptional items

Exceptional items comprise two items: a £37m charge relating to the net movement in the property portfolio (FY 2013 £29m); and a £12m charge for acquisition and integration costs relating to the Orchid transaction (FY 2013 £nil).

Earnings per share

Adjusted earnings per share were 32.6p, 1.2% higher than last year. After the exceptional items described above, basic earnings per share were 22.6p (FY 2013 31.2p).

Cash flow and net debt

The cash flow statement below excludes £147m drawn from a liquidity facility under the terms of the securitisation and £25m transferred to cash from other cash deposits. The funds drawn from the liquidity facility are charged under the securitisation and are not available for use in the wider Group. Further detail is provided in note 18.

	FY 2014 £m	FY 2013 £m
EBITDA before exceptional items	422	420
Working capital movement/ non-cash items	18	(9)
Pension deficit contributions	(49)	(40)
Cash flow from operations before exceptional items	391	371
Maintenance and infrastructure capex	(120)	(100)
Interest	(135)	(126)
Tax and other	(34)	(32)
Free cash flow before exceptional items	102	113
Expansionary capex	(42)	(28)
Orchid acquisition	(258)	0
Disposals	4	1
Operating exceptional	(5)	(2)
Net cash flow	(199)	84
Mandatory bond amortisation	(58)	(55)
Net cash flow after bond amortisation	(257)	29

The business generated £422m of EBITDA in the year. Pension deficit contributions of £49m reflected the newly agreed annual contribution of £45m (previously £40m), with the incremental amount backdated to the triennial valuation date of March 2013. After maintenance capital, interest and tax, £102m of free cash was generated by the business.

1,300

Project to upgrade pub systems
now completed in 1,300 pubs

£162m

Total capital expenditure was £162m

The acquisition of Orchid for initial consideration of £266m resulted in a net cash outflow in the year of £258m after adjusting for acquired cash and working capital, and deferred consideration.

	FY 2014 £m
Initial consideration	266
Working capital and completion adjustments	5
Total cash consideration	271
Deferred consideration	(2)
Cash and cash equivalents acquired	(11)
Acquisition net cash outflow	258

In the 15 weeks post-acquisition trading included in this year Orchid contributed sales of £41m and operating profit of £6m.

Net debt was £1,958m, representing 4.5 times annualised EBITDA (FY 2013 4.2 times EBITDA), the year-on-year increase being a result of the Orchid acquisition. Net debt within the securitisation was £1,986m and net cash held outside the securitisation was £28m.

Capital expenditure

Total capital expenditure was £162m, comprising £94m (FY 2013 £88m) spent on maintaining and enhancing the high level of amenity in the Group's restaurants and pubs, £26m on infrastructure projects (FY 2013 £12m), and £42m on new site openings (FY 2013 £28m).

Expenditure on maintenance and infrastructure projects included the ongoing replacement and upgrade of pub and restaurant EPOS systems. The new system is now live in more than 1,300 sites and the rollout is due to be completed during FY 2015. The systems implementation and benefit varies according to our different brands and formats: in addition to tills, full table service restaurants receive new payment devices, handheld terminals for taking orders and kitchen management systems; pubs focused on ordering at the bar receive tills and payment devices only. This gives a range of financial and non-financial benefits, including productivity savings, improved controls in terms of daily cash processes, and improvements in the management and analysis of data, including promotional activity. Productivity benefits are to be realised through a combination of reduced levels of employment cost, and reinvestment into service to provide an enhanced guest experience. The new systems are estimated to drive productivity benefits worth in excess of 20 hours per pub per week at our full table service brands, and around seven hours per pub per week in bar-service brands.

The blended EBITDA return on expansionary capital invested since FY 2011 was 16% (FY 2013 17%). Given the varying nature of freehold acquisitions, leasehold acquisitions and conversions, the business reviews returns by category:

	FY 2014 Investment ^a	FY 2014 No. of sites	FY 2011-2014 EBITDA ROI
Freehold acquisitions	£27m	8	13%
Leasehold acquisitions	£15m	15	18%
Conversions	£3m	8	16%
Total	£45m	31	16%

Property

A red book valuation of the freehold and long leasehold estate has been completed in conjunction with the independent property valuers, CBRE. In addition, the Group has conducted an impairment review on short leasehold and unlicensed properties. The overall portfolio value has increased by £26m, reflecting a £36m exceptional charge in the income statement and a £62m increase in the revaluation reserve. There is a further £1m exceptional charge to the income statement in relation to the impairment of lease premiums.

Pensions

In May 2014, the Company reached agreement on the triennial valuation of the Group pension schemes as at 31 March 2013, at an increased funding shortfall of £572m (March 2010 valuation: £400m). The discounted value of the minimum funding requirement agreed as part of the revised schedule of contributions is recognised in the balance sheet leading to an increased pensions liability, before tax, of £425m (FY 2013 £248m).

Dividends

The Board remains mindful of the attraction of the resumption of dividend payments and will continue to monitor anticipated net cash flow generation, before taking a decision on timing and quantum.

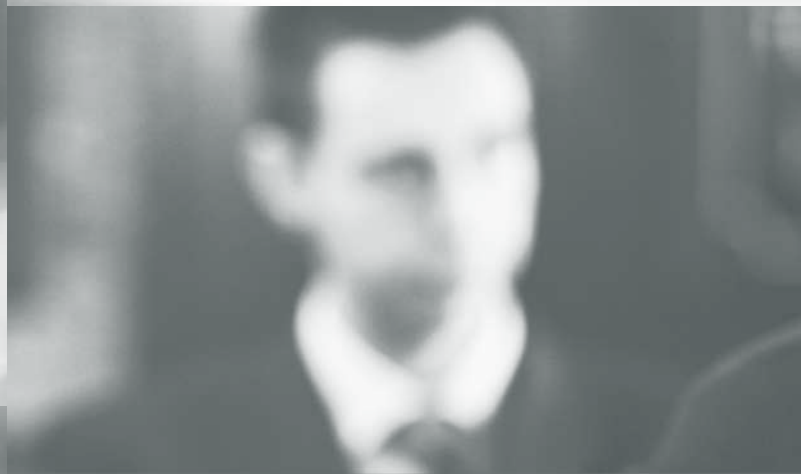
As an element of the recent pensions valuation, referred to above, the Group has agreed that normal dividends will only be resumed provided they can initially be funded out of cash flow after bond amortisation.

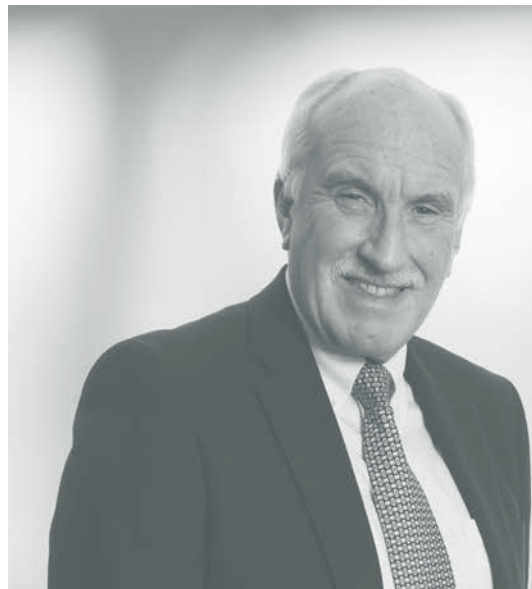
Tim Jones
Finance Director

a. Spend relating to new and converted sites completed in the current year.

Governance

- 35 Chairman's introduction to Governance
- 36 Board of Directors
- 38 Directors' report
- 42 Directors' responsibilities statement
- 43 Corporate governance statement
- 48 Audit Committee report
- 50 Report on Directors' remuneration





"One of the key roles for the Board of Directors at Mitchells & Butlers is to provide leadership for more than 43,000 employees and maintain the highest possible standards of corporate governance."

Bob Ivell
Chairman

Dear fellow shareholder

It gives me great pleasure to take this opportunity to update you on our progress in corporate governance over the past year.

One of the key roles for the Board of Directors at Mitchells & Butlers is to provide leadership for more than 43,000 employees and maintain the highest possible standards of corporate governance. The Board continues to monitor developments in corporate governance and reporting regulations. The new Strategic report on pages 2 to 33 includes the Group's strategy, progress and performance for the year.

In the last year we have benefited from the continued stability of our Board. Alistair Darby has now been successfully leading the business for two years, and the additional Non-Executive Directors appointed over those two years have brought much experience, diversity and challenge to the Board, while bringing us further into line with governance requirements. My focus continues to be on maintaining a strong team, with a broad range of professional backgrounds and skills to drive further improvements where possible.

My aim is to support our senior management in delivering the Group's strategy by ensuring the Board's continued effectiveness. In furtherance of this aim, last year we committed to a review of our effectiveness as a Board. I conducted the Board performance evaluation this year with assistance from the Company Secretary. A fuller description of the process is set out on page 47 of the Corporate governance statement, together with the focus areas for next year as a result of this review. The Board has committed to address these areas thoroughly in the months ahead. In line with the best practice recommendations of the UK Corporate Governance Code, we will carry out a further, externally facilitated review of the Board's effectiveness in FY 2015 and that, of course, will be reported on in the 2015 Annual Report.

The remainder of this report contains the narrative reporting required by the UK Corporate Governance Code, the Listing Rules and the Disclosure and Transparency Rules. I hope that you find this report to be informative and helpful in relation to this important topic.

We are committed to maintaining an active dialogue with all our shareholders. I would like to encourage our shareholders to attend our Annual General Meeting, details of which are set out in the separate Notice of AGM sent out with this Annual Report. It will provide an excellent opportunity to meet the Executive and Non-Executive Board Directors and to visit our Retail Support Centre in Birmingham.

I look forward to the year ahead, confident in the knowledge that the Company is led by a highly competent, professional and motivated team. I also look forward to the support of you, our shareholders, as our senior management team continue to focus on our four key priority areas: our people, our practices, our guests and our profits to drive future profit growth and create additional shareholder value.

Bob Ivell
Chairman

Board of Directors



1. Bob Ivell



2. Alistair Darby



3. Tim Jones



4. Stewart Gilliland



5. Eddie Irwin



6. Douglas McMahon



7. Ron Robson



8. Colin Rutherford



9. Imelda Walsh

1. Bob Ivell, aged 62**Non-Executive Chairman^{bc}**

Appointed as Interim Non-Executive Chairman in July 2011, Bob became Executive Chairman in October 2011 and reverted to Non-Executive Chairman in November 2012 following the appointment of Alistair Darby. He has over 30 years of extensive food and beverage experience with a particular focus on food-led, managed restaurants, pubs and hotels. He is currently Non-Executive Chairman of Carpetright plc and Senior Independent Director of Britvic plc and of AGA Rangemaster Group plc. He was previously a main Board Director of S&N plc as Chairman and Managing Director of its Scottish & Newcastle retail division. He has also been Chairman of Regent Inns, Chairman of Park Resorts and of Next Generation Clubs and was Managing Director of Beefeater Restaurants, one of Whitbread's pub restaurant brands, and a Director of The Restaurant Group. Bob is Chair of the Nomination Committee.

2. Alistair Darby, aged 48**Chief Executive^d**

Alistair was appointed Chief Executive in October 2012. He has more than 25 years' experience working in some of the UK's best known brands in the pub, drinks and consumer sectors, including roles with Mars Confectionery, Wolverhampton and Dudley Breweries and United Distillers. He joined Marston's PLC in 1997 where he held senior operational and strategic roles, becoming a Board member in 2003 and Chief Operating Officer in 2011. Alistair is a director of Cask Marque, an independent non-profit making organisation, set up to improve the quality of cask ale in pubs by way of an accreditation scheme.

3. Tim Jones, aged 51**Finance Director^d**

Tim was appointed Finance Director in October 2010. Prior to joining the Company, he held the position of Group Finance Director for Interserve plc, a support services group. Previously, he was Director of Financial Operations at Novar plc and held senior financial roles both in the UK and overseas in the logistics company, Exel plc. Tim is a member of the Institute of Chartered Accountants in England and Wales and obtained an MA in Economics at Cambridge University. He is a Non-Executive Director and Chairman of the Audit Committee at Poundland Group plc.

4. Stewart Gilliland, aged 57**Independent Non-Executive Director^{abc}**

Appointed as an independent Non-Executive Director in May 2013. Stewart was Chief Executive Officer of Muller Dairy (UK) Limited until 2010 and prior to that held senior management positions in InBev SA, Interbrew UK Limited and Whitbread plc. He is currently a Non-Executive Director of Booker Group Plc, Sutton and East Surrey Water Co, Tulip Group Limited, Nature's Way Foods Limited, C&C Group plc and Vianet Plc.

5. Eddie Irwin, aged 55**Non-Executive Director^{abc}**

Appointed as a Non-Executive Director in March 2012, Eddie is a nominee of Elpida Limited, a significant shareholder in Mitchells & Butlers. Eddie is Finance Director of Coolmore, a leading thoroughbred bloodstock breeder with operations in Ireland, the USA and Australia and a Non-Executive Director of Grove Ltd, the holding company of Barchester Healthcare Limited. He is a Fellow of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators.

6. Douglas McMahon, aged 49**Non-Executive Director**

Appointed a Non-Executive Director in October 2010, Douglas is Senior Managing Director of Tavistock Group and is a nominated shareholder representative of Piedmont Inc. He has 28 years of marketing experience, previously serving as Chairman and CEO of Publicis New York, General Manager of J. Walter Thompson New York and Chief Marketing Officer at Consumer News and Business Channel (CNBC).

7. Ron Robson, aged 51**Deputy Chairman^{abc}**

Appointed as Deputy Chairman in July 2011, Ron is a Managing Director of Tavistock Group and is a nominated shareholder representative of Piedmont Inc. Ron is a Non-Executive Director of Tottenham Hotspur Limited. He was previously Chief Financial Officer of Tamar Capital Partners and Group Finance Director of Kenmore, both property investment and management groups. From 2005 to 2008 he was Group Finance Director of The Belhaven Group plc, a listed pub retailing, brewing and drink distribution group. Prior to that he held a number of senior finance roles including Group Finance Director of a listed shipping and logistics group, and trained as a Chartered Accountant with Arthur Andersen.

8. Colin Rutherford, aged 55**Independent Non-Executive Director^{abc}**

Appointed as an independent Non-Executive Director in April 2013, Colin is currently Chairman of Brookgate Limited and Teachers Media plc. He was formerly Executive Chairman of MAM Funds plc and Euro Sales Finance plc amongst various other public and private companies in the UK and overseas. Colin is a member of the Institute of Chartered Accountants of Scotland and has directly relevant corporate finance experience in both the leisure and hospitality industries. Colin is Chair of the Audit Committee.

9. Imelda Walsh, aged 50**Independent Non-Executive Director^{abc}**

Appointed as an independent Non-Executive Director in April 2013, Imelda is a Non-Executive Director, and Chair of the Remuneration Committee of William Hill plc, Mothercare plc and FirstGroup plc. She was a Non-Executive Director, and Chair of the Remuneration Committee, of Sainsbury's Bank plc from 2006 to 2010. She has held senior Executive roles at J Sainsbury plc, where she was Group HR Director from March 2004 to July 2010, Barclays Bank plc and Coca-Cola & Schweppes Beverages Limited. She is also a Trustee of Charity Projects Limited (Comic Relief). Imelda is Chair of the Remuneration Committee.


Key

- a. Member of the Audit Committee
- b. Member of the Remuneration Committee
- c. Member of the Nomination Committee
- d. Member of the Executive Committee

Directors' report

The Board's responsibilities in respect of the Company include:

- Determining the overall business and commercial strategy
- Identifying the Company's long-term objectives
- Reviewing the annual operating budget and financial plans and performance in relation to those plans
- Determining the basis of allocation of capital
- Considering all policy matters relating to the Company's activities including any major change of policy

 For the Company's latest financial information go to: www.mbplc.com/investors

The Directors present their report and the audited financial statements for the year ended 27 September 2014. The Business review of the Company and its subsidiaries is given on pages 24 and 25 which, together with the Corporate governance statement and Audit Committee report, are incorporated by reference into this report and, accordingly, should be read as part of this report.

Details of the Group's policy on addressing risks are given on pages 18 to 21 and 46 and 47 and details about financial instruments are shown in note 19 to the financial statements. These sections include information about trends and factors likely to affect the future development and performance of the Group's businesses. The Company undertakes no obligation to update forward-looking statements.

Key performance indicators for the Group's businesses are set out on page 22.

This report has been prepared under current legislation and guidance in force at the year end date. In addition, the material contained on pages 2 to 33 reflect the Directors' understanding of the requirement to provide a Strategic report.

This report has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come or who becomes aware of it and any such responsibility or liability is expressly disclaimed.

Areas of operation

Throughout FY 2014 the Group had activities in and operated through pubs, bars and restaurants in the United Kingdom and Germany.

Share capital

The Company's issued ordinary share capital as at 27 September 2014 comprised a single class of ordinary shares of which 411,637,885 shares were in issue and listed on the London Stock Exchange (28 September 2013 411,011,098 shares). The rights and obligations attaching to the ordinary shares of the Company are contained within the Company's Articles of Association. Of the issued share capital, no shares were held in treasury and the Company's employee share trusts held 2,105,687 shares. Details of movements in the issued share capital can be found in note 22 to the financial statements on page 100. Each share carries the right to one vote at general meetings of the Company. The notice of the Annual General Meeting specifies deadlines for exercising voting rights in relation to the resolutions to be put to the Annual General Meeting.

All issued shares are fully paid up and carry no additional obligations or special rights. There are no restrictions on transfers of shares in the Company, or on the exercise of voting rights attached to them, other than those which may from time to time be applicable under existing laws and regulations and under the Articles of Association. In addition, pursuant

to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in the ordinary shares of the Company.

Participants in the Share Incentive Plan ('SIP') may complete a Form of Instruction which is used by the SIP Trustee as the basis for voting on their behalf.

During the year, shares with a nominal value of £53,538 were allotted under all-employee schemes as permitted under Section 549 Companies Act 2006. No securities were issued in connection with a rights issue during the year.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

Interests of the Directors and their immediate families in the issued share capital of the Company as at the year end are on page 63 of the Report on Directors' remuneration.

Dividends

No Final Dividend will be paid in respect of the year ended 27 September 2014 (2013 nil). No Interim Dividend was paid during the year (2013 nil).

Interests in voting rights

As at the date of this report, the Company was aware of the following significant holdings of voting rights (3% or more) in its shares:

Shareholder	Ordinary shares	% of share capital*	
Piedmont Inc.	109,970,613	26.68	Direct holding
Elpida Group Limited	93,196,131	22.61	Direct holding
Smoothfield Holding Limited	16,757,723	4.07	Direct holding

* Using the total voting rights figure announced to the London Stock Exchange for 31 October 2014 of 412,220,086 shares.

Directors

Details of the Directors as at 24 November 2014 and their biographies are shown on pages 36 and 37. The Directors at 27 September 2014 and their interests in shares are shown on page 63. There were no changes to the Board of Directors during the year nor have there been any such changes subsequent to the year end, up to the date of this report.

The Company is governed by its Articles of Association and the Companies Act 2006 and related legislation in relation to the appointment and removal of Directors. The powers of the Company's Directors are set out in the Company's Articles of Association.

In accordance with the Company's Articles of Association (which are in line with best practice guidance of the UK Corporate Governance Code), the Directors will retire at the AGM and offer themselves for re-election.

Under a Deed of Appointment between Piedmont Inc. and the Company, Piedmont Inc. has the right to appoint two shareholder Directors to the Board whilst it owns 22% or more of the issued share capital of the Company, and the right to appoint one shareholder Director to the Board whilst it owns more than 16% of the Company but less than 22%. In the event that Piedmont Inc. owns less than 16% of the Company any such shareholder Directors would be required to resign immediately.

Directors' indemnity

As permitted by the Articles of Association, each of the Directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each Director during the last financial year, and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors. No indemnity is provided for the Company's auditor.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders of the Company.

Conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('Situational Conflicts'). The Board has a formal system in place for Directors to declare Situational Conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company for the benefit of all shareholders, and they may impose limits or conditions when giving authorisation, or subsequently, if they think this is appropriate. The Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.

Related party transactions

Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm's-length basis and are properly recorded.

Change of control provisions

There are no significant agreements which contain provisions entitling other parties to such agreements to exercise termination or other rights in the event of a change of control of the Company.

There are no provisions in the Directors' or employees' service agreements providing for compensation for loss of office or employment occurring because of a takeover.

The trustee of the Mitchells & Butlers Share Incentive Plan will invite participants on whose behalf it holds shares to direct it how to vote in respect of those shares, and if there is an offer for the shares or other transaction which would lead to a change of control of the Company, participants may direct it to accept the offer or agree to the transaction. The trustee of the Mitchells & Butlers Employee Benefit Trust may, having consulted with the Company, vote or abstain from voting in respect of any shares it holds or accept or reject an offer relating to shares in any way it sees fit, and it may take all or any of the following matters into account: the long-term interests of beneficiaries, the non-financial interests of beneficiaries, the interests of beneficiaries in their capacity as employees or former employees, the interests of future beneficiaries and considerations of a local, moral, ethical, environmental or social nature.

The rules of certain of the Company's share plans include provisions which apply in the event of a takeover or reconstruction, as set out opposite.

Provisions which apply in the event of a takeover or reconstruction

Share plan	Provision in the event of a takeover
Performance Restricted Share Plan and 2013 Performance Restricted Share Plan	Awards vest pro rata to performance and time elapsed and lapse six months later
Short Term Deferred Incentive Plan and 2013 Short Term Deferred Incentive Plan	Bonus shares may be released or exchanged for shares in the new controlling company
Executive Share Option Plan	Options may be exercised within six months of a change of control
Sharesave Plan and 2013 Sharesave Plan	Options may be exercised within six months of a change of control
Share Incentive Plan and 2013 Share Incentive Plan	Free shares may be released or exchanged for shares in the new controlling company

Employment policies

The Group employed an average of 41,514 people in FY 2014 (FY 2013 41,325). Through its diversity policy, the Company seeks to ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities.

Our policies and procedures fully support our disabled colleagues. We take active measures to do so via:

- a robust reasonable adjustment policy;
- disability-specific online resources (accessible via the Group's online recruitment system); and
- processes to ensure colleagues are fully supported.

The Group is responsive to the needs of its employees. As such, should any employee of the Group become disabled during their time with it, we will actively retrain and make reasonable adjustments to their environment where possible, to keep the employee with the Group.

A more detailed account can be found in the separately published Social Responsibility Review 2014 at www.mbplc.com/responsibility

Employee engagement

Mitchells & Butlers engages with its employees continuously and in a number of ways to suit their different working patterns. This includes:

- line manager briefings;
- communications forums and roadshows held by functions or brands across the Company;
- a dedicated intranet for the Retail Support Team;
- a dedicated portal, 'OurHub', for retail employees;
- email news alerts;
- focus groups;
- weekly bulletins – specifically targeted at retail General Managers and mobile workers;
- employee social media groups;
- an annual conference and awards for our operators; and
- a monthly magazine poster, Frontline News, for the retail estate.

Details of the financial and economic factors affecting the performance of the Company are shared with all employees at the appropriate time using the methods listed above.

Directors' report

continued

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in restaurants and pubs and pulse surveys for all employees to the Mitchells & Butlers annual Business Forum. Business Forum representatives collect questions from employees across the Company and put them to members of the Executive Committee. The questions and answers are published in Frontline News and online.

What's the Big Idea? is a Company-wide initiative where employees are encouraged to submit their ideas for improving the business, environmentally, financially or otherwise, via our dedicated employee website.

Our retail teams complete compulsory bespoke safety training via e-Learning at Level 2 and classroom based Level 3 for food safety, fire safety and health and safety. Mitchells & Butlers operates the Challenge 21 policy in all our businesses across England and Wales. The policy requires that any guest attempting to buy alcohol who appears under the age of 21, must provide an acceptable form of proof of age ID to confirm that they are over 18, before they can be served. This policy forms part of our regular training for our employees on their responsibilities for serving alcohol. We also have a visual training library, which houses short training videos to share best practice tips, health and safety guidance, kitchen operational advice and cooking skills.

Mitchells & Butlers is keen to encourage greater employee involvement in the Group's performance through share ownership. It operates four HMRC approved all-employee plans, which are the Sharesave Plan, the 2013 Sharesave Plan, the Share Incentive Plan and the 2013 Share Incentive Plan (which include Partnership shares). The Company also operates five other plans on a selective basis, which are the Performance Restricted Share Plan, the 2013 Performance Restricted Share Plan, the Short Term Deferred Incentive Plan, the 2013 Short Term Deferred Incentive Plan and the Executive Share Option Plan. Further details on the plans are set out in the Report on Directors' remuneration.

During the year, the Company has remained within its headroom limits for the issue of new shares for share plans as set out in the rules of the above plans. The Company uses an employee benefit trust to acquire shares in the market when appropriate to satisfy share awards in order to manage headroom under the plan rules. A total of 500,000 shares in the Company were purchased by the employee benefit trust during FY 2014.

Political donations

The Company made no political donations during the year and intends to maintain its policy of not making such payments. It will, however, as a precautionary measure to avoid inadvertent breach of the law, seek shareholder authority at its 2015 AGM to make limited donations or incur limited political expenditure, although it has no intention of using the authority.

Funding and liquidity risk

In order to ensure that the Group's long-term funding strategy is aligned with its strategic objectives, the Treasury Committee regularly assesses the maturity profile of the Group's debt, alongside the prevailing financial projections and three-year plan. This enables it to ensure that funding levels are appropriate to support the Group's plans.

The current funding arrangements of the Group consist of the securitised notes issued by Mitchells & Butlers Finance plc (and associated liquidity facility) and £150m of unsecured committed bank facilities. Further information regarding these arrangements is included in note 18 to the financial statements on page 94. The terms of the securitisation contain a number of financial and operational covenants. Compliance with these covenants is monitored by Group Treasury.

The Group prepares a rolling daily cash forecast covering a six-week period and an annual cash forecast by period. These forecasts are reviewed on a daily basis and used to manage the investment and borrowing requirements of the Group. A combination of cash pooling and zero balancing agreements are in place to ensure the optimum liquidity position is maintained. Committed facilities outside of the securitisation are sized to ensure that the Group can meet its medium-term anticipated cash flow requirements.

Going concern

The financial statements which appear on pages 67 to 111 have been prepared on a going concern basis. The Directors have reviewed the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group's financing is based on securitised debt and, within this context, a robust review has been undertaken of projected performance against the securitisation covenants. As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. See note 1 to the financial statements on page 75.

Annual General Meeting

The notice convening the Annual General Meeting is contained in a circular sent to shareholders with this report and includes full details of the resolutions proposed.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and its reappointment will be put to shareholders at the AGM.

Post-balance sheet events

There are no post-balance sheet events to report.

Disclosure of information to auditor

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each Director has taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Greenhouse gas ('GHG') emissions statement

The Group generates GHG emissions throughout its estate of bars and restaurants for heating, cooling, lighting and catering including the refrigeration of drinks and food.

GHG emissions per £m turnover were reduced by 2.2% during the 2013/14 tax year in comparison to 2012/13. This reduction has been achieved through continual evolution of our behavioural change programmes, including training of energy ambassadors who are now active across most of our estate and ongoing investment in increasing the energy efficiency of our buildings and equipment.

Assessment parameters	
Assessment year	2013/14 Tax Year
Consolidation approach	Financial control
Boundary summary	All bars and restaurants either owned or under operational control during the 2013/14 tax year were included.
Scope	<p>General classifications of greenhouse gas emissions scopes based on the GHG protocol and ISO14064-1:2006 within the context of the Group's operations are as follows:</p> <p>Scope 1 – direct greenhouse gas emissions from sources that are owned or controlled by the Company, e.g. fuel combustion of varying types, occurs during kitchen activity and to generate heating and domestic hot water most commonly through natural grid supplied gas, but also some LPG (Liquefied Petroleum Gas) and oil. Real fires fuelled by logs or coal are also used to supplement customer comfort and enhance ambience.</p> <p>Scope 2 – GHG emissions from the generation of purchased electricity used during kitchen activity and for lighting, heating and cooling.</p> <p>Scope 3 – indirect emissions as a consequence of the activities of the Company, but occurring from sources not owned or controlled by the Company.</p> <p>This assessment focuses on scope 1 and 2 emissions only (scope 3 is optional under the current regulations).</p>
Consistency with the financial statements	<p>Scope 1 and 2 emissions are reported for the 2013/14 tax year and the 2012/13 tax year to retain consistency with reporting of our carbon emissions under the Carbon Reduction Commitment ('CRC') Energy Efficiency Scheme.</p> <p>Scope 1 and 2 emissions from sites with 'landlord supplies' are not included in the CRC submission. We currently have 18 sites that use a landlord's gas supply and 15 that use a landlord's electricity supply.</p> <p>Orchid sites are excluded as their acquisition was completed after the end of the 2013/14 tax year.</p> <p>Franchise sites are excluded as they are responsible for arranging and paying for their own energy.</p> <p>Alex sites in Germany are included. Emissions are based on UK average emissions multiplied by the number of Alex sites.</p>
Exclusions	<p>Scope 1 – Vehicle fleet emissions are excluded as they have been calculated to account for <1% total emissions which falls below the materiality threshold.</p> <p>Scope 1 – Fugitive emissions within refrigeration and cooling equipment are not included as detailed records are not yet held.</p> <p>Outside of scope – Logs are 'outside of scope' because the scope 1 impact of these fuels has been determined to be a net '0'. However, the CO₂e value of logs has been calculated to be <1% and would be excluded in any case as it falls below the materiality threshold.</p>
Emission factor data source	Defra conversion factors have been used where appropriate. Carbon emission conversion factors that relate to the calendar year within which the greatest portion of the data falls have been applied. As such, 2013 factors have been applied for the 2013/14 tax year and 2012 factors have been applied for the 2012/13 tax year.
Assessment methodology	Defra Environmental Guidelines 2013.
Materiality threshold	All emission types estimated to contribute >1% of total emissions are included.
Intensity threshold	Emissions are stated in tonnes CO ₂ e per £m revenue. This intensity ratio puts emissions into context given the scale of the Group's activities and enables comparison with prior year performance.
Target	Emissions during the 2012/13 tax year are provided for comparative purposes.

Greenhouse gas emission source	2012/13		2013/14		Change from previous year		
	(tCO ₂ e)	(tCO ₂ e/£m)	(tCO ₂ e)	(tCO ₂ e/£m)	(tCO ₂ e)	(tCO ₂ e/£m)	%
Scope 1	93,701	51.5	89,893	48.2	(3,808)	(3.3)	(6.41)%
Scope 2	203,128	111.6	207,591	111.3	4,463	(0.3)	(0.27)%
Statutory total (Scope 1 and 2)*	296,829	163.1	297,484	159.5	655	(3.6)	(2.21)%

* Statutory carbon reporting disclosures required by the Companies Act 2006.

By order of the Board

Greg McMahon
Company Secretary and General Counsel
24 November 2014

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed by

Tim Jones
Finance Director
24 November 2014

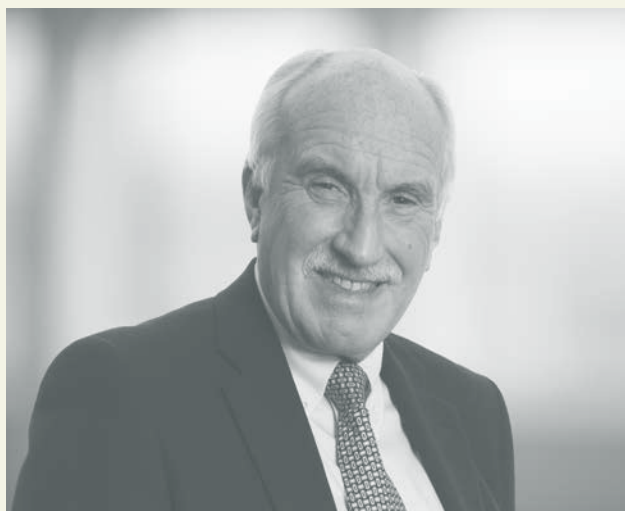
Corporate governance statement

The Board is responsible for ensuring that the activities of the Mitchells & Butlers Group and its various businesses are conducted in compliance with the law, regulatory requirements and rules, good practices, ethically and with appropriate and proper governance and standards. This includes reviewing internal controls, ensuring that there is an appropriate balance of skills and experience represented on the Board and compliance with the 2012 UK Corporate Governance Code (the 'Code'), which is issued by the Financial Reporting Council and which is available at www.frc.org.uk and maintaining appropriate relations with shareholders.

A new edition of the Code was published in September 2014 and applies to reporting periods beginning on or after 1 October 2014. As our 2014 reporting period began before this date, we are continuing to report against the 2012 edition of the Code, although the Board has adopted some of the new provisions in the revised code earlier than required.

 The latest financial information for Mitchells & Butlers and its group of companies is included in the 2014 Annual Report and Accounts (of which this Corporate governance statement forms part) and which are available online at: www.mbplc.com/investors

This Corporate governance statement sets out our report to shareholders on the status of our corporate governance arrangements.



The Board is committed to high standards of corporate governance. I am delighted to be able to report that the Board considers that the Company has complied throughout the year ended 27 September 2014 with all the provisions and best practice guidance of the Code except those in respect of the Senior Independent Director, Board composition and constitution of the Board Committees. This Corporate governance statement addresses the small number of areas where, for reasons specific to Mitchells & Butlers, there are divergences from the Code as described below.

The Audit Committee report and Nomination Committee report which are set out on pages 48 to 50 and 45 and 46 respectively of the Annual Report also form part of this Corporate governance statement and they should all be considered together.

Bob Ivell
Chairman

The Board recognises the importance of good corporate governance in creating a sustainable, successful and profitable business and details are set out in this statement of the Company's corporate governance procedures and application of the principles of the Code. There are, however, a small number of areas where, for reasons specifically related to the Company, the detailed provisions of the Code were not fully complied with. These areas are kept under regular review. A fundamental aspect of the Code is that it contains best practice recommendations in relation to corporate governance yet acknowledges that, in individual cases, these will not necessarily be appropriate for particular companies. Accordingly, the Code specifically recognises the concept of 'Comply or Explain' in relation to divergences from the Code.

Compliance with the Code

Except for the matters which are explained below (in line with the 'Comply or Explain' concept), the Company complied fully with the principles and provisions of the Code throughout the financial year in respect of which this statement is prepared (and continues to do so as at the date of this statement).

Explanation for non-compliance with parts of the Code

During the year, there were seven divergences from full compliance with the Code as set out below by reference to specific paragraphs in the Code:

A.4.1 Senior Independent Director and A.4.2 and B.6.3 Chairman's performance evaluation

The role of Senior Independent Director remained vacant and, accordingly, the Company did not comply with provision A.4.1 of the Code. As confirmed by the Board effectiveness review carried out during the year, the Board is operating effectively as reported on page 47. Nonetheless, the Nomination Committee is still considering the most appropriate candidate to be identified as Senior Independent Director. In the meantime, all Directors will continue to be available to shareholders, via the Company Secretary, to address questions. As a result, the Chairman's evaluation (see page 47) was conducted by the independent Non-Executive Directors acting jointly.

B.1 (including B.1.2 Composition of the Board) and B.2.1, C.3.1 and D.2.1 Constitution of Committees

The Board was not constituted in full compliance with the Code, as it had three independent Non-Executive Directors, out of a total of six Non-Executive Directors (not including the Chairman for this purpose), and two Executive Directors. Accordingly, Provision B.1.2 which requires that at least half of the Board be made up of independent Non-Executive Directors (excluding the Chairman), was not complied with. This also had consequential implications on the composition of the standing Board Committees.

Three independent Non-Executive Directors were appointed during FY 2013, meaning that the Board moved significantly further towards compliance with the provisions of the Code relating to Board composition. While the Board does not comply fully with the requirement for at least half of its members to be independent, it recognises and values the presence of representatives of its major shareholders on the Board and welcomes the interest shown by them in the Company as a whole. The Board will continue to work closely with the representatives of its major shareholders to further the interests of the Company.

The possibility of appointing a further independent Non-Executive Director remains a matter for the Nomination Committee to review and is considered regularly.

Corporate governance statement

continued

Following the appointment of the three new independent Non-Executive Directors to the Board in April and May 2013, throughout FY 2014, the Company had (and continues to have) fully functioning Nomination, Audit and Remuneration Committees as required by the Code. The Committees are not fully compliant with the relevant provisions of paragraphs B.2.1, C.3.1 and D.2.1 of the Code in that they include the presence of representatives of major shareholders. Nevertheless, the Board values the contribution of those shareholder representatives on those Committees, does not consider this to be an impediment to good governance and looks forward to working with them on matters affecting the Group and its activities in the future.

The information required by Disclosure and Transparency Rule ('DTR') 7.1 is set out in the Audit Committee report on pages 48 to 50. The information required by DTR 7.2 is set out in this corporate governance statement, other than that required under DTR 7.2.6 which is set out in the Directors' report on pages 38 to 41.

Board composition

During the year, the Board comprised nine Directors. A table listing the composition of the Board during the year is in the table opposite.

The Board

The Board is responsible to all stakeholders, including its shareholders for the strategic direction, development and control of the Group. It approves strategic plans and annual capital and revenue budgets. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance. It monitors the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial, technical and human resources are in place for the Company to meet its objectives.

During FY 2014 there were 14 scheduled Board meetings. There were also five meetings of the Audit Committee, four meetings of the Remuneration Committee and two meetings of the Nomination Committee. The table opposite shows attendance levels at the Board and Committee meetings held during the year: the numbers in brackets confirm how many meetings each Director was eligible to attend during the year.

Where a Director was unable to attend a meeting (whether of the Board or one of its Committees), they were provided with all the papers and information relating to that meeting and were able to discuss issues arising direct with the Chairman of the Board or Chair of the relevant Committee. In addition, the Board members meet more informally approximately four times a year and the Chairman and the Non-Executive Directors meet without the Executive Directors twice a year.

There are 11 Board meetings currently planned for FY 2015.

The Company Secretary's responsibilities include ensuring good information flows to the Board and between senior management and the Non-Executive Directors. The Company Secretary is responsible, through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development. This includes regular corporate governance and business issues updates, as well as the use of operational site visits and the provision of external courses where required. The Company Secretary facilitates a comprehensive induction for newly appointed Directors, tailored to individual requirements and including guidance on the requirements of, and Directors' duties in connection with, the Code and the Companies Act 2006 as well as other relevant legislation. In FY 2014, the Company Secretary also co-ordinated the internally facilitated performance evaluation of the Board. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Attendance levels at Board and Committee meetings

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Current Directors who served during the year				
Bob Ivell	14 (14)	–	4 (4)	2 (2)
Alistair Darby	14 (14)	–	–	–
Stewart Gilliland ¹	12 (14)	3 (5)	3 (4)	1 (2)
Eddie Irwin	12 (14)	5 (5)	4 (4)	2 (2)
Tim Jones	14 (14)	–	–	–
Douglas McMahon ²	8 (14)	–	–	–
Ron Robson	13 (14)	5 (5)	4 (4)	2 (2)
Colin Rutherford	13 (14)	5 (5)	4 (4)	2 (2)
Imelda Walsh	14 (14)	5 (5)	4 (4)	2 (2)

1. Mr Gilliland had pre-existing commitments prior to his appointment to the Board and the Audit Committee;
2. Mr McMahon was prevented from attending some Board meetings due to travel difficulties or clashes with other business commitments but in each case provided his comments on the matters to be considered by the Board to the Chairman, another Director (Mr Robson, who is also nominated to the Board by Piedmont Inc.) or the Company Secretary.

Directors

The following were Directors of the Company during the year ended 27 September 2014:

		Date appointed	Date of change of role
Current Directors who served during the year			
Bob Ivell	Independent Non-Executive Director ¹	09/05/11	14/07/11
	Interim Chairman ¹	14/07/11	26/10/11
	Executive Chairman	26/10/11	12/11/12
	Non-Executive Chairman	12/11/12	–
Alistair Darby	Chief Executive	08/10/12	–
Stewart Gilliland	Independent Non-Executive Director	23/05/13	–
Eddie Irwin ²	Non-Executive Director	21/03/12	–
Tim Jones	Finance Director	18/10/10	–
Douglas McMahon ³	Non-Executive Director	15/10/10	–
Ron Robson ³	Non-Executive Director	22/01/10	–
	Deputy Chairman	14/07/11	–
Colin Rutherford	Independent Non-Executive Director	22/04/13	–
Imelda Walsh	Independent Non-Executive Director	22/04/13	–

1. Independent while in the role specified.
2. Nominated shareholder representative of Elpida Limited.
3. Nominated shareholder representative of Piedmont Inc.

Throughout the year, and as at the date of this statement, the Board was made up of eight male and one female members.

The Executive Directors have service contracts which are summarised on page 57. The Chairman and each of the Non-Executive Directors have letters of appointment. Copies of the respective service contracts or letters of appointment of all the Board are on the Company's website. In addition, they are available for inspection at the registered office of the Company during normal business hours and at the place of the Annual General Meeting from at least 15 minutes before and until the end of the meeting.

All the Company's Directors are required to stand for annual re-election in accordance with the Company's Articles of Association. Their biographical details as at 24 November 2014 are set out on page 37, including their main commitments outside the Company. Further information is set out opposite.

The Executive Directors may be permitted to accept one external Non-Executive Director appointment with the Board's prior approval and as long as this is not likely to lead to conflicts of interest.

Division of responsibilities between Chairman and Chief Executive

In accordance with provision A.2.1 of the Code, the roles of Chairman and Chief Executive should not be exercised by the same individual. The division of responsibilities between the Chairman and Chief Executive are clearly established, and set out in writing and agreed by the Board. In particular, it has been agreed in writing that the Chairman shall be responsible for running the Board and shall provide advice and assistance to the Chief Executive. He also chairs the Nomination Committee, is a member of the Remuneration Committee and attends, by invitation, meetings of the Audit Committee. It is also agreed in writing that the Chief Executive has responsibility for all aspects of the Group's overall commercial, operational and strategic development. He chairs the Executive Committee (details of which appear on page 46) and attends the Nomination, Remuneration and Audit Committee by invitation, not necessarily for the entirety of such meetings depending upon the subject matter. All other Executive Directors (currently just the Finance Director) and all other members of the Executive Committee report to the Chief Executive.

Chairman

The Chairman should, on appointment, meet the independence criteria set out in provision B.1.1 of the Code. Bob Ivell met these independence criteria on appointment.

Bob Ivell was appointed to the role of Executive Chairman on 26 October 2011 on the departure of the then Chief Executive and reverted to the role of Non-Executive Chairman on 12 November 2012 following the completion of an induction period by Alistair Darby who was appointed Chief Executive on 8 October 2012. The Chairman ensures that appropriate communication is maintained with shareholders. He ensures that all Directors are fully informed of matters relevant to their roles.

Chief Executive

Alistair Darby was appointed as Chief Executive on 8 October 2012, with a formal handover of responsibilities from Mr Ivell (who had been acting Chief Executive since October 2011) taking place on 12 November 2012 following completion of his induction period.

As indicated above, the Chief Executive has responsibility for implementing the strategy agreed by the Board and for the executive management of the Group.

Senior Independent Director

The Board has not currently identified any of its members as the Senior Independent Director although this is a matter which the Nomination Committee is keeping under review.

Non-Executive Directors

The Company has experienced Non-Executive Directors on its Board. Bob Ivell was considered to be independent upon his appointment on 9 May 2011 in that he was free from any business or other relationship with the Company which could materially influence his judgement and he continues to represent a strong source of advice and independent challenge. Since his appointment as Chairman on 14 July 2011, as set out in the Code, the independence test is no longer applicable to his current position.

Ron Robson and Douglas McMahon have been appointed to the Board as representatives of the Company's largest shareholder, Piedmont Inc., and are therefore not regarded as independent in accordance with the Code.

Eddie Irwin has been appointed to the Board as a representative of the Company's second largest shareholder, Elpida Limited, and is therefore not regarded as independent in accordance with the Code.

There are currently three independent Non-Executive Directors on the Board: Stewart Gilliland, Colin Rutherford and Imelda Walsh.

Other than their fees, and reimbursement of taxable expenses which are disclosed on page 60, the Non-Executive Directors received no remuneration from the Company during the year.

When Non-Executive Directors are considered for appointment, the Board takes into account their other responsibilities in assessing whether they can commit sufficient time to their prospective directorship.

Board information and training

All Directors are briefed by the use of comprehensive papers circulated in advance of Board meetings and by presentations at the meetings in addition to receiving minutes of previous meetings. Their understanding of the Group's business is enhanced by business specific presentations and operational visits to the Group's businesses. Separate strategy meetings and meetings with senior Executives are also held throughout the year. The training needs of Directors are formally considered on an annual basis and are also monitored throughout the year with appropriate training being provided as required.

Committees

Each Board Committee has written terms of reference approved by the Board, which are available on the Company's website.

Audit Committee

Details of the Audit Committee and its activities during the year are included in the Audit Committee report on pages 48 to 50 which is incorporated by reference into this Statement.

Remuneration Committee

Details of the Remuneration Committee and its activities during the year are included in the Report on Directors' remuneration on pages 50 to 66.

Nomination Committee

The Nomination Committee is responsible for nominating, for the approval of the Board, candidates for appointment to the Board. It is also responsible for succession planning and reviewing the output of the Board effectiveness review. During the year, the Nomination Committee considered the composition of the Board and assessed the outcome of the Board's effectiveness review. The Nomination Committee agrees the importance of having diversity on the Board, including female representation and different experiences, skill sets and expertise, so as to maintain an appropriate balance within the Company and on the Board.

A detailed description of the duties of the Nomination Committee is set out within its terms of reference which can be viewed at www.mbplc.com/investors/businessconduct/boardcommittees/

The following were members of the Nomination Committee during the year:

	Appointment date	Member at 27/09/14
Bob Ivell (Chair)	11/07/13	Y
Stewart Gilliland	11/07/13	Y
Eddie Irwin	11/07/13	Y
Ron Robson	11/07/13	Y
Colin Rutherford	11/07/13	Y
Imelda Walsh	11/07/13	Y

Corporate governance statement

continued

During the year, the Company did not comply with provision B.2.1 of the Code because, as explained earlier in this statement, the Nomination Committee was not comprised of a majority of independent Non-Executive Directors. The Committee is not fully compliant in that it includes the presence of representatives of major shareholders. Nevertheless, for the reasons already stated, the Board does not consider this to be an impediment to good governance and looks forward to continuing to work constructively with the representatives nominated by its major shareholders in relation to all the matters and issues to be addressed by the Nomination Committee (and the Board) in connection with the Company in the future.

Executive Committee

The Executive Committee, which is chaired by the Chief Executive, consists of the Executive Directors and certain other senior Executives, namely Catriona Kempston (Marketing Director), Gary John (Group Property Director), Susan Martindale (Group HR Director) and Greg McMahon (Company Secretary and General Counsel).

The Executive Committee meets at least every four weeks and has day-to-day responsibility for the running of the Group's business. It develops the Group's strategy and annual revenue and capital budgets for Board approval. It reviews and recommends to the Board any significant investment proposals. This Committee monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board. It considers employment issues, ensures the Group has an appropriate pool of talent and develops senior management manpower planning and succession plans. The minutes of meetings of the Executive Committee are supplied to the Board for information in order that Board members can keep abreast of operational developments.

General Purposes Committee

The General Purposes Committee comprises any two Executive Directors or any one Executive Director together with a senior officer from an agreed and restricted list of senior Executives. It is always chaired by an Executive Director. It attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or an appropriate Committee.

Treasury Committee

Although not a formal Board Committee, the treasury operations of the Mitchells & Butlers Group are operated on a centralised basis under the control of the Group Treasury department. The Treasury Committee, which reports to the Finance Director but is subject to oversight from the Audit Committee and, ultimately, the Board, has day-to-day responsibility for:

- liquidity management;
- investment of surplus cash;
- funding, cash and banking arrangements;
- interest rate and currency risk management;
- guarantees, bonds, indemnities and any financial encumbrances including charges on assets; and
- relationships with Banks and other market counterparties such as credit rating agencies.

The Treasury Committee also works closely with the financial accounting department to review the impact of changes in relevant accounting practices and to ensure that treasury activities are disclosed appropriately in the Company's accounts.

The Board delegates the monitoring of treasury activity and compliance to the Treasury Committee. It is responsible for monitoring the effectiveness of treasury policies and making proposals for any changes to policies or in respect of the utilisation of new instruments. The approval of the Board, or a designated committee thereof, is required for any such proposals.

Independent advice

Members of the Board may take independent professional advice in the furtherance of their duties and the Board has agreed a formal process for such advice to be made available. Members of the Board also have access to the advice and services of the Company Secretary and General Counsel, the Company's legal and other professional advisers and its external auditor. The terms of engagement of the Company's external advisers and its external auditor are regularly reviewed by the Company Secretary and General Counsel.

Code of Ethics

The Company has implemented business conduct guidelines describing the standards of behaviour expected from those working for the Company, in the form a Code of Ethics (the 'Ethics Code'). Its aim is to promote honest and ethical conduct throughout our business, and it applies to all corporate employees. The Ethics Code requires:

- compliance with all applicable rules and regulations that apply to the Company and its officers including the Bribery Act 2010;
- the ethical handling of actual or apparent conflicts of interest between internal and external, personal and professional relationships; and
- that any hospitality from suppliers must be approved in advance by appropriate senior management, with a presumption against its acceptance.

The Company takes a zero tolerance approach to bribery and has developed an extensive Bribery Policy. The Ethics Code requires employees to comply with the Bribery Policy.

The Company also offers an independently administered, confidential, whistleblowing hotline for any employee wishing to report any concern that they feel would be inappropriate to raise with their line manager. All whistleblowing allegations are reported to and considered by the Executive Committee and a summary report (with details of any major concerns) is supplied to, and considered by, the Audit Committee at each meeting.

The Board takes regular account of social, environmental and ethical matters concerning the Company through regular reports to the Board and presentations to the Board at its strategy meetings. The Company Secretary is responsible for ensuring that Directors are made aware of and receive training in respect of such matters. The Board is also responsible for the Company's internal risk management system, in respect of which more details can be found in the 'Risks and uncertainties' section of this report, and in the following section of this statement.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing its effectiveness. In order to discharge that responsibility, the Board has established the procedures necessary to apply the Code for the year under review and to the date of approval of the Annual Report. Such procedures are regularly reviewed by the Audit Committee.

The key features of the Group's internal control and risk management systems include:

- Processes, including monitoring by the Board, in respect of:
 - i. financial performance within a comprehensive financial planning, accounting and reporting framework;
 - ii. strategic plan achievement;
 - iii. capital investment and asset management performance, with detailed appraisal, authorisation and post-investment reviews; and
 - iv. consumer insight data and actions to assess the evolution of brands and formats to ensure that they continue to be appealing and relevant to the Group's guests.

- An overall governance framework including:
 - clearly defined delegations of authority and reporting lines;
 - a comprehensive set of policies and procedures that employees are required to follow; and
 - the Group's Ethics Code, in respect of which an annual confirmation of compliance is sought from all corporate employees.
- The Risk Committee, a sub-committee of the Executive Committee, which assists the Board, Audit Committee and Executive Committee in managing the processes for identifying, evaluating, monitoring and mitigating risks. The Risk Committee, which met three times during FY 2014, is chaired by the Company Secretary and General Counsel and comprises Executive Committee members and other members of senior management from a cross-section of functions. Its primary responsibilities are to:
 - advise the Executive Committee on the Company's overall risk appetite and risk strategy, taking account of the current and prospective operating, legal, macroeconomic and financial environments;
 - advise the Executive Committee on the current and emerging risk exposures of the Company in the context of the overall risk appetite and risk strategy;
 - promote the management of risk throughout the organisation;
 - review and monitor the Company's capability and processes to identify and manage risks;
 - consider the identified key risks faced by the Company and new and emerging risks and consider the adequacy of mitigation plans in respect of such risks; and
 - where mitigation plans are inadequate, recommend improvement actions.

The Group risks identified by the processes that are managed by the Risk Committee are described in 'Risks and uncertainties' on pages 18 to 21.

- Examination of business processes on a risk basis including reports from the Internal Audit function, known as Group Assurance, which reports directly to the Audit Committee.

The Group also has in place systems, including policies and procedures, for exercising control and managing risk in respect of financial reporting and the preparation of consolidated accounts. These systems, policies and procedures:

- govern the maintenance of accounting records that, in reasonable detail, accurately and fairly reflect transactions;
- require reported information to be reviewed and reconciled, with monitoring by the Audit Committee and Board; and
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards ('IFRS') or UK Generally Accepted Accounting Practice, as appropriate.

In accordance with the Code, during the year the Audit Committee completed (and reported to the Board its conclusions in respect of) its annual review of the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, it can only provide reasonable and not absolute assurance against material misstatement or loss. In that context, in the opinion of the Audit Committee, the review did not indicate that the system was ineffective or unsatisfactory and to the extent that weaknesses in internal controls were identified, the Audit Committee confirmed that necessary remedial action plans were in place. The Audit Committee is not aware of any change to this status up to the date of approval of this Annual Report.

With regard to insurance against risk, it is not practicable to insure against every risk to the fullest extent. The Group regularly reviews both the type and amount of external insurance that it buys with guidance from an external independent broker, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

Shareholder relations

The Board recognises that it is accountable to shareholders for the performance and activities of the Company. The Company regularly updates the market on its financial performance, at the half year and full year results in May and November respectively, and by way of other announcements as required. The content of these updates is available by webcast on the Company's website, together with general information about the Company so as to be available to all shareholders. The Company has a regular programme of meetings with its larger shareholders which provides an opportunity to discuss, on the basis of publicly available information, the progress of the business. On a more informal basis, the Chairman, Chief Executive and the Finance Director regularly report to the Board the views of larger shareholders about the Company, and the other Non-Executive Directors are available to meet shareholders on request and are offered the opportunity to attend meetings with larger shareholders.

The AGM provides a useful interface with shareholders, many of whom are also guests. All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated.

Board effectiveness evaluation and Chairman's evaluation and appraisal

In line with the Code, the Board carried out an internally facilitated effectiveness evaluation in 2014.

The internal evaluation process involved the completion of a tailored questionnaire by all Board members and Deloitte LLP as auditor. The principal actions arising for attention related to Board diversity, improvements to succession planning, improved effectiveness in setting priorities and bringing more subject specialist presentations to the Board to widen the Board's understanding of the Group's core business and strategic direction. The Board received the findings of the evaluation in July 2014 and the Directors confirmed that the Board is fulfilling its responsibilities appropriately. The evaluation also concluded that the Board and its Committees were effective and that each continuing Director made a constructive and valuable contribution to the Board and the running of the Company.

A full externally facilitated Board evaluation exercise is to be conducted in 2015.

As indicated earlier in this statement, the Company has not, as yet, nominated a Senior Independent Director. Accordingly, the annual appraisal of the Chairman's performance was conducted by the independent Non-Executive Directors without the Chairman present with the conclusions fed back to the Chairman by that group. The principal conclusions of that review were that Mr Ivell's performance remains highly constructive and that the level of Mr Ivell's involvement was of benefit to the Company noting that the relationship between the Chairman and CEO is critical. Annual reviews of the Chairman's performance will continue to be conducted as required by the Code.

Going concern

The Directors' statement as to the status of the Company as a going concern can be found on page 40.

Audit Committee report



Introduction from the Audit Committee Chair

I am delighted to present, on behalf of the Board, our Audit Committee report for the financial year ended 27 September 2014.

Since my appointment, I have been committed to gaining a broad understanding of the Group, its operations and challenges and have spent valuable time with key individuals across the organisation who have collectively provided an appreciation and rigorous insight into how the Group functions.

A key area of the Audit Committee's work is to engage formally, regularly and in detail with our auditor, third-party advisers and the internal Director of Group Assurance & Risk Management. This enables us to gain an in-depth understanding and confidence in how our auditor and third-party advisers interact with the internal Group Assurance & Risk Management function to give comprehensive coverage of the overall external and internal Audit process.

It is important to note our Group commitment to the provision of sufficient resources in ensuring any additional assurance is provided where considered appropriate and necessary, in support of the overall process.

The role of the Audit Committee is now more important than ever in reviewing the effectiveness of the Group's internal controls, the Group Assurance & Risk Management processes and assessing and acting upon any and all information received from our auditor, third-party advisers and our internal Audit function.

Colin Rutherford
Chairman of the Audit Committee

Membership and remit of the Audit Committee

The main purpose of the Audit Committee is to review and maintain oversight of Mitchells & Butlers corporate governance, particularly with respect to financial reporting, internal control and risk management. The Audit Committee's responsibilities also include:

- reviewing the processes for detecting fraud, misconduct and internal control weaknesses;
- reviewing the effectiveness of the Group Assurance function; and
- overseeing the relationship with the auditor.

At the date of the 2014 Annual Report, the Audit Committee comprises three independent Non-Executive Directors: Colin Rutherford (Chair), Imelda Walsh and Stewart Gilliland, and two further Non-Executive Directors nominated by substantial shareholders, Ron Robson and Eddie Irwin. In accordance with Code provision C.3.1 the Board considers that Colin Rutherford has significant, recent and relevant financial experience. Biographies of all of the members of the Audit Committee, including a summary of their experience, appear on page 37.

Following the appointment of three independent Non-Executive Directors in April and May 2013, Committee members were appointed with effect from 11 July 2013, and revised terms of reference established, in order to move further in line with Code requirements. The Audit Committee met five times during FY 2014.

When appropriate, the Audit Committee augments the skills and experiences of its members with advice from internal and external audit professionals, for example, on matters such as developments in financial reporting. Audit Committee meetings are also attended, by invitation, by members of the Board, the Director of Group Assurance & Risk Management and representatives of the auditor, Deloitte LLP. The Audit Committee also meets privately not less than twice a year, without any member of management present, with the Director of Group Assurance & Risk Management, in relation to internal audit matters and with the auditor.

The remuneration of the members of the Audit Committee is set out in the Report on Directors' remuneration on page 60.

Summary terms of reference

A copy of the Audit Committee's terms of reference is publicly available within the Investor section of the Company's website: www.mbplc.com/pdf/audit_committee_terms.pdf

The Audit Committee is authorised by the Board to review any activity within the business. It is authorised to seek any information it requires from, and require the attendance at any of its meetings of, any Director or member of management, and all employees are expected to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary. The Chair of the Audit Committee reports to the subsequent Board meeting on the Committee's work and the Board receives a copy of the minutes of each meeting.

The role and responsibilities of the Audit Committee are to:

- review the Company's public statements on internal control, risk management and corporate governance compliance;
- review the Company's processes for detecting fraud, misconduct and control weaknesses and to consider the Company's response to any such occurrence;
- review management's evaluation of any change in internal controls over financial reporting;
- review with management and the auditor, Company financial statements required under UK legislation before submission to the Board;
- establish, review and maintain the role and effectiveness of the internal audit function, known as Group Assurance, whose objective is to provide independent assurance over the Group's significant processes and controls, including those in respect of the Group's key risks;

- assume direct responsibility for the appointment, compensation, resignation, dismissal and the overseeing of the auditor, including review of the external audit, its cost and effectiveness;
- pre-approve non-audit work to be carried out by the auditor and the fees to be paid for that work together with the monitoring of the external auditor's independence;
- oversee the process for dealing with complaints received by the Group regarding accounting, internal accounting controls or auditing matters and any confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- adopt and oversee a specific Code of Ethics for all corporate employees which is consistent with the Company's overall statement of business ethics.

Key activities of the Audit Committee

Audit matters are reviewed at quarterly Audit Committee meetings throughout the year at which detailed reports are presented for review. The Audit Committee commissions reports from external advisers, the Director of Group Assurance & Risk Management, or Company management, either after consideration of the Company's major risks or in response to developing issues. During the year, the Audit Committee considered the following matters:

- the suitability of the Group's accounting policies and practices;
- half year and full year financial results;
- the scope and cost of the external audit;
- the auditor's half year and full year reports;
- reappointment and evaluation of the performance of the auditor, including recommendations to the Board for approval by shareholders, on the reappointment of the Company's auditor and approval of fees and terms of engagement;
- non-audit work carried out by the auditor and trends in the non-audit fees in accordance with the Committee's policy to ensure the safeguard of audit independence;
- the co-ordination of the internal and external audit functions;
- the arrangements in respect of Group Assurance including its resourcing, external support, the scope of the annual internal audit plan for FY 2014 regarding the level of achievement and the scope of the internal audit plan for FY 2015;
- periodic internal control and assurance reports from Group Assurance;
- the Group's risk management framework for the identification and control of major risks, its risk and assurance mitigation plan and the annual assessment of control effectiveness;
- compliance with the Company's Code of Ethics;
- corporate governance developments;
- the status of material litigation involving the Group; and
- reports on allegations made via the Group's whistleblowing procedures and the effectiveness of these procedures including a summary of reports received during FY 2014.

Disclosure of significant issues considered

The Audit Committee has reviewed the key judgements applied in the preparation of the consolidated financial statements, which are described in the relevant accounting policies and detailed notes to the financial statements on pages 75 to 103. The Audit Committee's review included consideration of the following key accounting judgements:

- Orchid acquisition accounting – key judgement areas and their impact on the financial statements.
- Property Plant and Equipment Valuation – applying a consistent valuation methodology.
- Pension deficit – valuation of the defined benefit pension scheme.
- Taxation – tax accounting remains an area of focus, in particular, accounting for deferred tax on the property estate.

Effectiveness of internal audit

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Company's internal audit function. The Audit Committee meets regularly with management and with the Director of

Group Assurance & Risk Management and the auditor, to review the effectiveness of internal controls and risk management and receives reports from the Director of Group Assurance & Risk Management on a quarterly basis.

The annual internal audit plan is approved by the Audit Committee and kept under review on a monthly basis, by the Director of Group Assurance & Risk Management, in order to reflect the changing business needs and to ensure new and emerging risks are considered. The Audit Committee is informed of any amendments made to the audit plan on a quarterly basis. The FY 2014 internal audit plan was developed through a review of formal risk assessments (in conjunction with the Risk Committee and the Group's Executive Committee) together with consideration of the Group's key business processes and functions that could be subject to audit. A similar approach has been employed in relation to the FY 2015 internal audit plan.

The principal objectives of the internal audit plan for FY 2014 were, and remain for FY 2015:

- to provide confidence that existing and emerging key risks are being managed effectively;
- to confirm that controls over core business functions and processes are operating as intended ('core assurance'); and
- to confirm that major projects and significant business change programmes are being adequately controlled.

During FY 2014, 21 audit reports were issued by the Group Assurance function and reviewed by the Board or the Audit Committee. Internal audit recommendations are closely monitored through to closure via a web-based recommendation tracking system, introduced in FY 2013, which has improved the overall monitoring of internal audit recommendations to ensure these are successfully implemented in a timely manner. A summary of the status of the implementation of internal audit recommendations is made monthly to the Executive Committee and quarterly to the Audit Committee.

Risk management framework

As disclosed in the 'Risk and uncertainties' section on pages 18 to 21 the Risk Committee continues to meet on a regular basis to review the key risks facing the business. The Risk Committee met on three occasions in FY 2014. Membership of the Risk Committee, which includes representation from each of the key business functions, is detailed below:

- Company Secretary and General Counsel (Chairman)
- Group Finance Director
- Group HR and Operations Director
- Director of Business Change & Technology
- Director of Group Assurance & Risk Management

Key risks identified are reviewed and assessed on a quarterly basis in terms of their likelihood and impact, within the Group's 'Key Risk Heat Map,' in conjunction with associated risk mitigation plans. In addition, the Risk Committee's review includes an assessment of the material relevance of emerging risks and the continued relevance of previously identified risks. Actions arising from Risk Committee meetings are followed up by the Director of Group Assurance & Risk Management. The Audit Committee reviews the Risk Committee minutes, in addition to a review of the Group's 'Key Risk Heat Map' quarterly.

Confidential reporting

The Group's whistleblowing policy enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal. Details of the policy are set out in the Company's Code of Ethics. The Audit Committee receives quarterly reports on whistleblowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow-up action of all matters reported. No major issues have been reported in FY 2014 (major issues being defined for this purpose as matters having a financial impact greater than £100k).

Audit Committee report

continued

External auditor appointment

Deloitte LLP was appointed as the auditor in 2011, following a formal tender process. The Audit Committee has considered the new guidance in relation to rotation including the proposed transition rules which will be considered when recommending the appointment of the auditor in future years. The Audit Committee considers that the relationship with the auditor is working well and is satisfied with its effectiveness and has not considered it necessary to require Deloitte LLP to re-tender for the external audit work. There are no contractual obligations restricting the Company's choice of auditor. Following its appointment as auditor, Deloitte LLP was replaced in respect of the provision of internal audit services by PricewaterhouseCoopers LLP.

External auditor's independence

The external auditor should not provide non-audit services where it might impair their independence or objectivity to do so. The Audit Committee has established a policy to safeguard the independence and objectivity of the Group's auditor as follows:

The following services have been pre-approved by the Audit Committee provided that the fee for the individual project is less than 50% of the audit fee, and in total for the year is less than the audit fee:

- audit-related services, including work related to the annual Group financial statements, subsidiary audits and statutory accounts; and
- certain specified tax services, including tax compliance, tax planning and tax advice.

Acquisition and vendor due-diligence may only be provided if it is specifically approved by the Committee on a case-by-case basis in advance of the engagement commencing. Any other work for which management wishes to utilise the external auditor must be approved as follows:

- services with fees less than £50,000 may be approved by the Finance Director; and
- engagements with fees over £50,000 may be approved by the Audit Committee or its Chair.

The Audit Committee remains confident that the objectivity and independence of the auditor are not in any way impaired by reason of the non-audit services which they provide to the Group.

External audit annual assessment

The Audit Committee assesses annually the qualification, expertise, resources and independence of the Group's auditor and the overall effectiveness of the audit process. The Finance Director, Company Secretary and General Counsel, Audit Committee Chairman and Director of Group Assurance & Risk Management meet with the auditor to discuss the audit and any key issues included on the Audit Committee's agenda during the year.

Fair, balanced and understandable statement

One of the key governance requirements of a Group's financial statements is for the report and accounts to be fair, balanced and understandable. Therefore, upon review of the financial statements, the Audit Committee and the Board are satisfied with the overall fairness, balance and clarity of the Annual Report, which is underpinned by the following:

- formal minutes of the year end working group;
- clear guidance issued to all contributors to ensure a consistent approach; and
- formal review processes at all levels to ensure the Annual Report is factually correct.

Approved by the Board

Colin Rutherford
Chairman of the Audit Committee
24 November 2014

Report on Directors' remuneration



Statement from the Committee Chair

Dear Shareholder,

I am pleased to present the Directors' remuneration report in respect of the financial year, which ended on 27 September 2014.

Financial year 2014

Over the past year we have continued to make progress in providing a strong platform for future growth. In particular we have focused on improving sales through sustainable volume growth, accelerating our remodel programme where we are seeing good financial returns, increasing investment in training and rolling out new IT systems that help our General Managers run their businesses more effectively. The acquisition of 173 pubs from Orchid was completed during the year and our plans to successfully integrate this estate are on track and will further enhance our growth prospects. The improvement we have seen in food and drink volumes has not yet translated into a sustained improvement in cash sales, which also reflects the competitive market place and ongoing consumer caution.

In relation to the FY 2014 bonus scheme, the Committee believes that bonus should only be earned for achievement against stretching targets. Despite a number of year-on-year improvements, the threshold EPS performance required to trigger a payment in the 2014 incentive plan has not been met, and therefore no annual bonus awards have been made to the Chief Executive or Finance Director.

During the year an award was made under the terms of the Performance Restricted Share Plan ('PRSP') in respect of the 2014 to 2016 performance period and full details are set out on pages 61 and 62.

In July 2013, the Remuneration Committee was re-established and in my statement last year I confirmed that the Committee would be undertaking a review of our remuneration policy. In addition, we also took the opportunity to conduct a review of advisers to the Committee and in March 2014 appointed New Bridge Street ('NBS') as our advisers. Over the past six months the Committee has focused primarily on the review of policy and the changes we are proposing are summarised overleaf.

Approach for 2015

Our review of remuneration policy has considered all aspects of remuneration and how each best supports the future success of Mitchells & Butlers:

- Base pay should reflect personal contribution, experience and competence as well as market conditions. Increases will normally be in line with those applicable to the wider workforce.
- The overall potential maximum earnings opportunity from both the annual and long-term incentive arrangements and the current incentive opportunity for our Directors will remain as current, although some changes to the structure of each plan are proposed.
- The current annual bonus plans ('STDIP') individual limit is 200% of base salary. The STDIP may comprise any combination of cash, deferred shares and matching shares, save that no more than 100% of any bonus is paid in cash. The policy will be amended to remove the ability to use the matching shares and also to reduce the maximum earnings limit from 200% to 150% of base salary. The remaining 50% will be transferred to the long-term incentive plan ('PRSP') resulting in a maximum limit of 250% of salary which will require an amendment to the plan rules and, therefore, approval at the 2015 AGM. The aggregate maximum limits will remain at 400% of salary.
- Notwithstanding a maximum combined limit of 400% of salary, the current normal annual bonus and long-term incentive plan maximum levels will continue to be 100% and 200% of base salary respectively and it is intended that the new 250% PRSP maximum would only be used in exceptional circumstances and should the Committee wish to extend the 'normal' maximum award limit to this level on a permanent basis leading investors would be consulted. In summary, there is no change in the aggregate incentive quantum or to the current 'normal' incentive limits for our current Directors.
- The Committee has also considered the performance measures used in the annual plan and for 2015 it is proposed that 75% of the bonus opportunity will be measured against the achievement of Profit Before Tax ('PBT') targets. The remaining 25% will be measured against the achievement of our key guest satisfaction measure, Net Promoter Score ('NPS'). The Committee believes that PBT is a good measure of operational performance and that the delivery of outstanding guest service, as measured by NPS, is a key lead indicator of future sales performance. There will be no payout on the NPS element if profit is below a pre-determined threshold, for FY 2015 this being 95% of target PBT.
- The PRSP performance condition will continue to have two elements, relative Total Shareholder Return ('TSR') and adjusted Earnings Per Share ('EPS') with each accounting for 50% of the award. The Committee has given careful consideration to the structure of the group of companies on which the TSR measure is based and for the 2015 to 2017 award, to be made in November 2014, the comparator group will comprise companies in the FTSE All Share Travel and Leisure index. The Committee believes this wider group is more robust than the current comparator group of only nine companies and that performance against this group of over 30 companies reflects performance relative to companies who compete for the same leisure spend.
- In line with best practice and the latest changes to the UK Corporate Governance Code the rules of our incentive plans, both annual and long-term, will be amended to include clawback and malus clauses. Our remuneration policy also outlines under what circumstances the Committee may use discretion in relation to both incentive plans and when such discretions will be subject to consultation with major shareholders.

- The shareholding guidelines for Executive Directors have also been reviewed and the Chief Executive will now be expected to own shares with a value equal to at least 150% of base salary. The shareholding requirement for the Finance Director remains at 100% of salary.
- The Committee has also considered the base pay of the Executive Directors and has determined that a 1.5% increase in base salary should apply in 2015. This increase is less than that which has been applied to the wider workforce.
- The Chairman's fee has not increased since Bob Ivell was appointed in 2011. The Committee has reviewed Mr Ivell's fee and decided that it should increase by £10,000 to £285,000 p.a., with effect from 1 January 2015.
- The base fees applicable to Non-Executive Directors have not increased since January 2011 and following a review, they will increase by £2,000 to £52,000 p.a. with effect from 1 January 2015.

The format of this year's report reflects the requirements of the new regulations governing the disclosure and approval of Directors' remuneration. The policy report will, for the first time, be put forward for a binding vote and the Annual Report on Remuneration will be subject to an advisory vote at the AGM on 29 January 2015. A separate resolution approving the amendment to the PRSP individual limit will also be subject to a vote.

The Committee is committed to maintaining an open and constructive dialogue with our shareholders on remuneration matters. We consulted shareholders and advisory bodies on the proposed changes to remuneration set out above and they were broadly supportive of our proposals, and in particular the removal of the matching shares element of the annual plan and increase in the shareholding guideline for the Chief Executive. If you have any comments or questions on any element of the report, please email me, care of Craig Provett, Director of Compensation & Benefits, at Remco@mbplc.com

Imelda Walsh
Chair of the Remuneration Committee
 24 November 2014

Report on Directors' remuneration

continued

This report has been prepared on behalf of the Board and has been approved by the Board. The report has been prepared in accordance with the Companies Act disclosure regulations (the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013) ('the Regulations').

Policy report

This section of the report sets out the Company's remuneration policy and subject to approval will take effect from 29 January 2015, the date of the AGM.

The Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code (the 'Code'). The full terms of reference of the Committee are available on our website: www.mbpplc.com/investors/businessconduct/boardcommittees and on request. The Committee's responsibilities include:

- Making recommendations to the Board on the Company's remuneration policy for Executive Directors and senior Executives giving full consideration to the Code and setting the remuneration for Executive Directors and the Chairman, including pension rights and compensation payments;
- Taking account of all factors necessary when determining the policy, the objective of which shall be to ensure remuneration policy promotes the long-term success of the Company without paying more than is necessary; and
- Aligning Executive Directors' interests with those of shareholders by providing the potential to earn significant rewards where significant shareholder value has been delivered.

The Committee is mindful of a broad range of stakeholders in the business and accordingly takes account of a range of factors when setting remuneration policy including market conditions, pay and benefits in relevant comparator organisations, terms and conditions of employment across the Group, the Company's risk appetite and shareholder feedback.

The Committee considers a broad range of internal and external information in determining policy; this includes a review of external benchmarking information when reviewing Executive Directors' base pay and as required on appointment of a new Executive Director or other Executive Committee member. While market data is provided to the Committee by its independently appointed advisers, such data provides the context for setting pay levels and the Committee does not consider it in isolation.

The remuneration policy for Executive Directors set out over the following pages supports the business needs of the Company, ensuring it promotes the long-term success of the business whilst enabling the Company to attract, retain and motivate senior Executives of a high calibre. The Committee is satisfied that the remuneration policy supports the Company's business strategy of growing long-term shareholder value and appropriately balances fixed and variable remuneration. With a high proportion of reward delivered in the form of equity, this ensures that Executives have strong alignment with shareholders through the Company's share price.

For clarity of reporting, references to the Sharesave Plan ('Sharesave'), Share Incentive Plan ('SIP'), Performance Restricted Share Plan ('PRSP') and Short Term Deferred Incentive Plan ('STDIP') refer both to share awards under these original schemes and, following the expiry of these schemes for grant purposes, subsequent awards under their respective replacement schemes on substantially the same terms. Both the original schemes and their replacements in 2013 were approved by shareholders.

Policy table

The table below summarises each element of the remuneration policy applicable to Executive Directors.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Base salary				
Provides a sound basis on which to attract and retain Executives of appropriate calibre to deliver the strategic objectives of the Group. To reflect the market value of the role, personal contribution, experience and competence.	Salaries are normally subject to annual review. Salary levels may be influenced by: <ul style="list-style-type: none"> • role, experience or performance; • Group profitability and prevailing market conditions; and • periodic external benchmarking of similar roles at comparable companies by size and sector. Any increase is normally effective from 1 January. Payable in cash, four-weekly throughout the year. Pensionable.	Normally set broadly around mid-market levels with increases in line with that of the Company's UK workforce. Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances such as when there is a change in the individual's role or responsibility or where there has been a fundamental change in the scale or nature of the Company. In addition, a higher increase may be made where an individual had been appointed to a new role at below market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than for the wider workforce. There may also be circumstances where the Committee agrees to pay above mid-market levels to secure or retain an individual who is considered, in the judgement of the Committee, to possess significant and relevant experience which is required to enable the delivery of the Company's strategy. Salaries, effective from 1 January 2015, are: Chief Executive – £543,500 Finance Director – £426,500.	Executive Directors' performance is a factor considered when determining salaries. Performance is reviewed in line with the established performance review process in place across the Group.	No recovery or withholding applies.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Annual Performance Bonus (cash and shares)				
Provides a direct link between the achievement of annual business performance targets and reward. Deferred bonus, awarded in shares, provides a retention element and additional alignment of interests to shareholders.	<p>Bonus payment level is determined by the Committee by reference to performance against the targets set by the Committee prior to the commencement of the performance year. The cash element of the bonus is normally payable in December following the end of the financial year.</p> <p>Up to half of any bonus award is payable in cash. At least half of any bonus award is deferred as shares under the terms of the STDIP below.</p> <p>Key terms of the STDIP are:</p> <ul style="list-style-type: none"> deferred bonus share awards are normally released in two equal amounts 12 and 24 months after deferral; at the discretion of the Committee dividends paid between grant and vesting may accrue on vested shares. <p>Non-pensionable.</p>	<p>Currently, the normal maximum payment is 100% of base salary.</p> <p>At the discretion of the Committee, the maximum earnings potential may be increased in line with the plan rules up to 150% of base salary.</p>	<p>At least 75% of bonus will be based on financial measures. This may be a single measure or a mix of metrics as determined by the Committee.</p> <p>No more than 25% will be based on non-financial measures or personal business objectives.</p> <p>Payment of non-financial measures may be subject to a financial performance threshold.</p> <p>Up to 50% of bonus may be earned for achieving a demanding target with full payout for achieving a second, more demanding target.</p> <p>The nature of the performance measure(s) and the targets are reviewed in advance of each new award.</p> <p>The Committee has the discretion to vary the mix of measures or to introduce new measures to reflect business need.</p> <p>As the bonus is subject to performance conditions, any deferred bonus is not subject to further conditions.</p> <p>The Committee may alter the bonus outcome if it considers that the payout is inconsistent with the Company's overall performance taking account of any factors it considers relevant. This will help ensure that payouts reflect overall company performance during the period. The Committee will consult with leading investors before any exercise of its discretion to increase the bonus outcome.</p>	<p>Clawback and malus will apply to the cash bonus and deferred shares where there has been a misstatement of the accounts, or other data, or a serious misdemeanour or serious misconduct by the participant has occurred prior to payment or vesting or within two years of payment or vesting of shares.</p>
Performance Restricted Share Plan ('PRSP')				
To incentivise delivery of sustained growth through superior long-term performance, provide an element of retention and increase alignment with shareholders.	<p>Discretionary annual award of nominal cost options.</p> <p>Vested options are exercisable immediately following confirmation of performance.</p> <p>At the discretion of the Committee vested options attract Dividend Accrued Shares between award and vesting.</p> <p>Under the rules of the PRSP, conditional share awards may also be granted although there is currently no plan to grant such awards.</p> <p>Non-pensionable.</p>	<p>The normal maximum annual award of nominal cost options is 200% of base salary.</p> <p>Subject to approval of the revised PRSP at the January 2015 AGM, the maximum award may be increased in line with the plan rules to 250% of base salary. Any increase to the normal maximum award of 200% of base salary, other than in exceptional circumstances such as recruitment, would also be subject to prior consultation with leading investors.</p>	<p>Performance condition is measured over three financial years.</p> <p>The current performance condition includes EPS growth and total shareholder return (TSR) relative to a peer group of comparator companies.</p> <p>For each element, 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. Straight line vesting applies between threshold and maximum.</p> <p>The Committee has the flexibility to vary the mix of measures or to introduce new measures. The Committee will consult with leading investors before implementing any change.</p> <p>The Committee may alter the vesting outcome if it considers that the level of vesting is inconsistent with the Company's overall performance taking account of any factors it considers relevant. This will help ensure that vesting reflects overall Company performance during the period. The Committee will consult with leading investors before any exercise of its discretion to increase the vesting outcome.</p>	<p>Clawback and malus applies on the same basis as the annual bonus.</p>
All-Employee Share Plans				
To underpin the employee engagement strategy and encourage employees to have a financial stake in the future of the Company.	<p>All eligible employees, including the Executive Directors, can participate in the HM Revenue & Customs ('HMRC') approved Sharesave and SIP.</p> <p>Sharesave: all eligible employees can save over a three or five year maturity period. Proceeds from the savings contract may be used to acquire shares in the Company at an option price fixed at the date of invitation.</p> <p>SIP: all eligible employees are invited to participate. A Free Share award is made annually. Free shares are typically held in trust for at least three years. In addition, eligible employees may purchase, from their gross pay, Partnership Shares. Partnership Shares are held in trust and can be released at any time. Income tax and National Insurance Contributions are normally payable on the value of shares released within five years of purchase.</p> <p>The Committee has discretion under the SIP rules to operate Matching Shares and Dividend Shares elements, although there is currently no plan to do so.</p>	<p>Sharesave: Maximum savings up to HMRC limits (currently £500 per month) over a three or five year maturity period.</p> <p>SIP: Maximum Free Share award up to HMRC limit (currently £3,600 per tax year). Partnership Shares up to HMRC limit (currently with an initial value of up to £1,800 per tax year).</p>	<p>Sharesave: No performance metrics apply. SIP: No performance metrics apply.</p>	<p>Sharesave: No recovery or withholding applies. SIP: No recovery or withholding applies.</p>

Report on Directors' remuneration

continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Pension (or cash allowance)				
To provide a market-aligned retirement benefit	<p>Payment into a Company Pension, Personal Individual Pension and/or a cash allowance in lieu of Company pension contributions once statutory limits (Fixed Protection and Annual Allowance) are reached, or a combination of both.</p> <p>See pages 60 and 61 for further detail on pension where the Annual Allowance or Fixed Protection apply.</p>	The Company contribution is a maximum of 20% of base salary.	No performance metrics apply.	No recovery or withholding applies.
Other benefits				
To provide market-aligned benefits.	<p>Benefits include (but are not limited to) private healthcare, life assurance, annual health check, employee assistance programme, use of a Company vehicle or cash equivalent, and discounts on food and associated drinks purchased in our businesses. Private healthcare is provided for the Executive, spouse or partner and dependent children.</p> <p>Discount vouchers are provided on the same basis to all employees and can be redeemed in any of our managed businesses provided the purchase is a personal, not a business, expense.</p> <p>Relocation or the temporary provision of accommodation may be offered where the Company requires a Director to relocate. Expatriate allowances may be offered where required. Travel and, if relevant, related expenses such as accommodation may be reimbursed on a gross of tax basis.</p> <p>Executive Directors may become eligible for any new benefits introduced to a wider set of other Group employees.</p>	In line with market practice, the value of benefits may vary from year to year depending on the cost to the Company from third-party suppliers.	No performance metrics apply.	No recovery or withholding applies other than if relocation costs were provided. A proportion of any relocation costs may be recovered where a Director leaves the employment of the Group within two years of appointment or date of relocation.
Shareholding policy				
To align the interests of the Executive Directors with shareholders and promote a long-term approach to risk management.	<p>The Chief Executive is required to hold Mitchells & Butlers' shares to the value of a minimum of 150% of base salary. Other Executive Directors are required to hold Mitchells & Butlers' shares to the value of a minimum of 100% of base salary.</p> <p>Except for those sold to cover the acquisition cost together with the associated income tax and National Insurance Contributions, Executive Directors will normally be required to retain shares arising from share schemes until the minimum level of ownership required has been achieved.</p> <p>It is expected that the guideline will normally be achieved within five years of appointment to the Board. In the case of the current Chief Executive the 50% of salary increase to his guideline (from 100% of salary prior to the approval of this policy) is expected to be achieved within five years of the effective date of this new policy.</p> <p>Only shares owned outright by the Executive Director or a connected person are included. Shares or share options which are subject to a performance condition are not included. Deferred shares and options which are vested but unexercised are also not included.</p> <p>The value of the Shareholding will be the number of shares owned multiplied by the average share price over the previous three months up to the date of valuation.</p>	n/a	n/a	n/a

Notes to the policy table

Table 1 summarises the reasons behind the selection of the performance metrics, and sets out the categories of employee, other than Executive Directors, who are eligible to participate in each scheme. Table 2 compares the remuneration and benefits received by Executive Directors with that received by other Group employees.

Table 1

Element	Notes
Annual Performance Bonus	<p>The main emphasis of the annual plan is to reward management for the achievement of financial targets such as profit growth which is a key indicator of the Company's performance.</p> <p>Non-financial measures are intended to measure whether management are delivering against key lead performance indicators.</p> <p>Targets are determined annually by the Committee.</p> <p>All salaried employees participate in a bonus scheme. Save for certain operational and operational support roles where some, or all, of the annual bonus relates directly to the performance of the business or area for which the participant is responsible, a common annual bonus target applies across all participating employees.</p> <p>Retail staff do not participate in any bonus scheme.</p>
PRSP	<p>Around 60 senior employees including Executive Directors and members of the Executive Committee participate in the PRSP. No long-term incentive plans apply for any other employees.</p> <p>Measures for Executive Directors include:</p> <ul style="list-style-type: none"> • EPS growth which is a measure of overall profitability of the business for investors over the long term and therefore is a fundamental element of aligning shareholders' interests with those of executives. • Relative TSR performance which provides a measure of long-term success of the Company relative to an appropriate group of peer comparators. <p>From 2015 onwards EPS will be the only measure for participants below Executive Committee level.</p>

Table 2

Remuneration and Benefits	
Provision of Company car or cash alternative	A Company car or cash alternative is provided only where it is determined that there is a commercial requirement or business need to do so.
Private healthcare	The majority of employees entitled to receive private healthcare do so on an employee only basis. Private healthcare is not provided to assistant management appointed on or after 30 September 2012 or to retail staff.
Health check	A Company funded health check is available on request to senior and middle management retail support employees. Other salaried employees have access to online health and wellbeing support through the Company's Employee Assistance Programme ('EAP').
Employee Assistance Programme	The EAP is available to all salaried employees and provides employees with confidential health and wellbeing help and support. The EAP is not available to retail staff.
Pension	The Company contribution to the DC Choice pension plan is between 4.5% and 15% of base salary; assistant management and retail staff employees who are not eligible for the DC Choice pension receive a Company contribution of either 1x the member contribution up to 3% of Qualifying Earnings* (assistant management scheme) or the statutory minimum (automatic enrolment scheme).
Life assurance	Assistant management and retail staff employees who are not eligible to join the DC Choice pension plan do not have life assurance.
Relocation	Relocation may be made available to Retail Support Centre employees where the Company requires an employee to relocate for business purposes. Relocation is not normally provided to retail management or retail staff.
Discount vouchers	The discount voucher scheme is approved by HMRC; as the amount payable by the employee, after application of the discount, exceeds the cost of goods the scheme is not considered to be a benefit in kind for tax purposes.
Other benefits	Other benefits such as childcare vouchers, bike to work and private dental cover are not listed above as a taxable benefit to the Executive Directors. Where an Executive Director participates, he does so at his own cost as the benefit is administered by, but not funded by, the Company. NICwise, a National Insurance efficient way for a member to make contributions to the pension plan, is provided at no cost to the employee or Company. The range of benefits offered to Executive Directors is offered to all senior management employees of the Group.
Shareholding policy	The shareholding policy is only in place for Executive Directors.

* As defined by legislation.

Legacy arrangements

For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors before the current legislation on remuneration policies came into force or before an individual became a Director (such as the payment outstanding on incentive awards) even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Incentive plan discretions

The Committee will operate the incentive plans described in the policy table according to their respective rules, the policy set out above and in accordance with the Listing Rules, applicable legislation and HMRC guidance where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment, subject to policy limits;
- The choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- Adjustments required in certain circumstances (eg rights issues, corporate restructuring, on a change of control and special dividends).

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Report on Directors' remuneration

continued

Chairman and Non-Executive Director fees

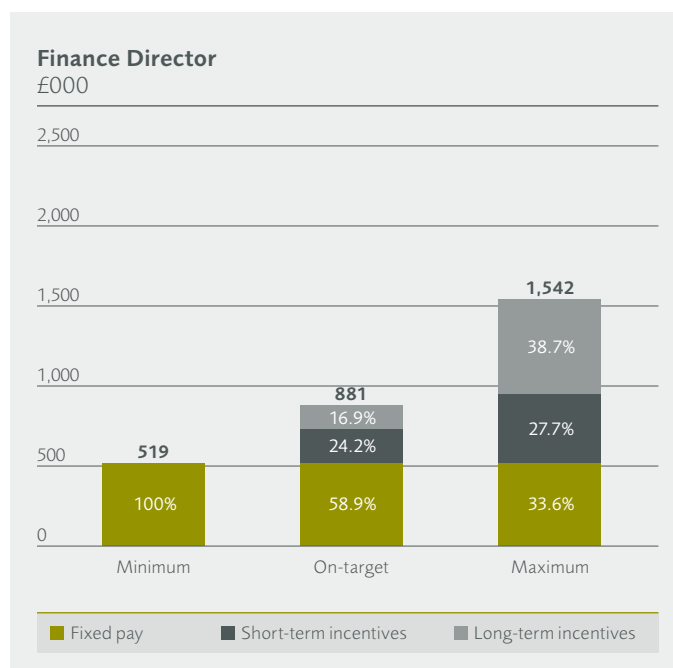
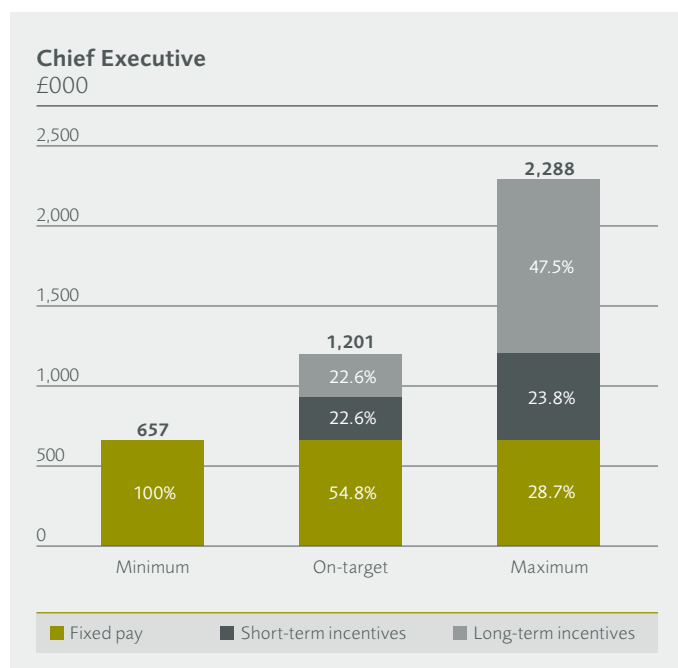
The table below summarises each element of the remuneration policy applicable to Non-Executive Directors.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Fees				
To attract and retain Non-Executive Directors of appropriate calibre and experience.	<p>Payable in cash, four-weekly throughout the year.</p> <p>Fees are normally reviewed annually with any increase usually taking effect from 1 January each year.</p> <p>The Chairman's fee is reviewed annually by the Committee (without the Chairman present).</p> <p>Remuneration policy for the Non-Executive Directors is determined by the Company Chairman and Executive Directors by reference to companies of similar size and sector as well as time commitment and responsibilities. Non-Executive Directors receive a base fee and an additional fee for chairing a committee. Details are set out on page 60.</p> <p>Travel, accommodation and other related expenses incurred in carrying out the role will be paid by the Company including, if relevant, any gross up for tax.</p>	Where a Non-Executive Director undertakes additional responsibilities, other than the chairing of a committee, additional fees may be set, eg for a Senior Independent Director.	No performance metrics apply.	No recovery or withholding applies.

Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes, benefit schemes (other than the all-employee discount voucher scheme) or pension plans.

Illustrations of application of remuneration policy

A key principle of the Group's remuneration policy is that variable short and long-term reward should be linked to the financial performance of the Group. The charts below show the composition of each Executive Director's remuneration at minimum, on-target and maximum performance for FY 2015.



The performance scenarios demonstrate the proportion of maximum remuneration which would be payable in respect of each remuneration element at each of the performance levels. In developing these scenarios the following assumptions have been made:

Minimum

Only the fixed elements of remuneration are payable. The fixed element consists of base salary, benefits and pension. Base salary is the salary effective at 1 January 2015. Benefits are as detailed in the Directors' remuneration table on page 60. Pension is the cash allowance and/or Company pension contribution payable in respect of base salary.

On-target

In addition to the minimum this reflects the amount payable for on-target performance under the short and long-term incentive plans being:

- 50% of base salary is payable under the short-term incentive plan; and
- 25% of the award (50% of base salary for the CEO and 35% of base salary for the Finance Director) vests under the long-term incentive plan.

Maximum

In addition to the minimum, maximum payment is achieved under both the short and long-term incentive plans such that:

- 100% of base salary is payable under the short-term incentive plan; and
- 200% of base salary for the CEO and 140% for the Finance Director vests under the long-term incentive plan.

A breakdown of the elements included in the application of remuneration policy to the remuneration charts is shown in the table below:

	Fixed (£000)				Short-Term Plan (£000)		Long-Term Plan (£000)	
	Base Pay	Benefits	Pension	Total Fixed	On-target	Maximum	On-target	Maximum
Chief Executive	543.5	18.0	95.5	657.0	271.8	543.5	271.8	1,087.0
Finance Director	426.5	17.0	75.0	518.5	213.3	426.5	149.3	597.1

Note: The value received under the short-term plan is the gross value of awards before 50% is deferred into shares. The values received under the short-term plan and long-term incentive plan do not take into account dividend accrued shares that are payable on the vesting of awards nor any changes in share price.

Service contracts

Executive Directors' contracts

The table below summarises key elements of the service contracts applicable to Executive Directors:

Notice Period	<ul style="list-style-type: none"> Executive Directors are employed under service contracts that may be terminated by the Company at any time on one year's notice. Any payment made in lieu of notice would comprise base salary only^a and may be payable in instalments in line with the established salary payment dates until the expiry of the notice period or, if earlier, the date on which alternative employment or other engagement is secured with the same or higher base salary. If employment is secured at a lower rate of base salary, subsequent instalments of the payment in lieu of notice shall be reduced by the value of alternative income. Service contracts contain a provision enabling the Company to put the Executive Director on garden leave after notice to terminate the service contract has been given by either party. During this period, the Executive will be entitled to base salary only^a.
Termination	<ul style="list-style-type: none"> If an Executive Director's employment with the Group ends during the financial year, normally any entitlement to bonus for that year is forfeited. However, if the individual leaves by reason of ill-health, injury, disability, retirement, redundancy, death or sale of his employing business or company or if the Committee so decides in any other case, at the Committee's discretion the Executive Director may receive a bonus pro-rated to time employed in the year or to such later date as the Committee may decide. The Committee may decide, at its discretion, to pay the bonus all in cash. If an Executive Director ceases employment following the end of the financial year but before payment of the bonus in respect of that year, there is no entitlement to a bonus but the Committee may, at its discretion, pay a bonus for that year. Any such bonus, at the Committee's discretion, may be all in cash. If an Executive Director ceases employment prior to the release of Bonus Award Shares under the STDIP for the same specified good leaver reasons as set out above, the Committee, at its discretion, may release the Bonus Award Shares (and associated Dividend Accrued Shares) at the date of termination. Otherwise, the shares will be released on the normal release date. If the Director leaves for any other reason, his entitlement to Bonus Award Shares (and associated Dividend Accrued Shares) is forfeited, unless the Committee decides otherwise. If an Executive Director dies before an Award under the PRSP has vested, vesting of the award (and associated Dividend Accrued Shares) will occur as soon as practicable based on performance and on a time pro-rated basis. If the Executive Director ceases employment for the same defined good leaver reasons as are specified above, the Award (and associated Dividend Accrued Shares) will vest following the end of the normal performance period and on a time pro-rated basis. If employment ceases for any other reason, the Award will normally lapse, unless the Committee decides otherwise (except that if employment ceases by reason of gross misconduct the Award (and associated Dividend Accrued Shares) must lapse). The Committee has no discretion in relation to shares or options held under the all-employee share plans (SIP and Sharesave); on termination these will vest, become exercisable or lapse in accordance with the legislation governing tax favoured plans.

a. This arrangement applies to Alistair Darby. Any payments in lieu of notice in respect of Tim Jones, whose appointment and service contract pre-dates 27 June 2012 (the relevant date for the purposes of the regulations) and does not fall within the current policy, will comprise base salary and contractual benefits only.

In the event that the Company terminates an Executive Director's service contract other than in accordance with the terms of his contract, the Committee will act in the best interests of the Company, and ensure there is no reward for failure. When determining what compensation, if any, is to be paid to the departing Executive Director, the Committee will give full consideration to the circumstances of the termination, the Executive Director's performance, the terms of the service contract relating to notice and payments in lieu of notice, and the obligation of that Executive Director to mitigate any loss which he may suffer as a result.

Although the Company would seek to minimise termination costs, the Committee may in appropriate circumstances provide other elements in a leaving Director's termination package, including (without limitation): compensation for the waiver of statutory rights in exchange for the Director executing a settlement agreement; payment of the leaving Director's legal fees in connection with his termination arrangements; and payment of outplacement fees. In addition, the Committee may determine that the Director should continue to be engaged by the Company on consultancy or other terms following cessation of his directorship.

Details of the service contracts of Executive Directors who served during FY 2014 are set out below.

Director	Contract start date	Unexpired term	Notice period from Company	Minimum notice period from Director	Compensation on change of control
Alistair Darby	08/10/12	Indefinite	12 months	6 months	No
Tim Jones	18/10/10 ^a	Indefinite	12 months	6 months	No

a. Tim Jones' service contract pre-dates the current Regulations.

Executive Directors may accept one external Non-Executive appointment with the Company's prior approval as long as this is not likely to lead to conflicts of interest. Fees received may be retained by the Executive Director. No such Non-Executive appointments have applied in the year to 27 September 2014. On 30 October 2014 Tim Jones was appointed as an independent Non-Executive Director and Chairman of the Audit and Risk Committee of Poundland Group plc.

Report on Directors' remuneration

continued

Non-Executive Directors

Non-Executive Directors, including the Company Chairman, do not have service contracts but serve under letters of appointment which provide that they are initially appointed until the next AGM when they are required to stand for election. In line with the Company's Articles, all Directors, including Non-Executive Directors, will stand for re-election at the 2015 AGM. This is also in line with the recommendations set out in paragraph B.7.1 of the Code. Non-Executive Directors' appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination. The dates of appointment of the Non-Executive Directors to the Committee are set out on page 59.

Douglas McMahon and Ron Robson were appointed to the Board pursuant to the terms of the Piedmont Deed of Appointment, information on which is set out on page 38.

Copies of both the individual letters of appointment for Non-Executive Directors, and the service contracts for Executive Directors are available at the Registered Office of the Company during normal business hours and on our website. Copies will also be available to shareholders to view at the 2015 AGM.

Recruitment of Executive Directors

Where it is necessary to appoint a replacement or additional Executive Director, the Committee will set a base salary appropriate to the experience and responsibilities of the new appointee and in line with our policy set out on page 52.

The maximum level of variable pay is 400% of base salary (150% in relation to annual cash bonus/STDIP and 250% in relation to the PRSP).

Depending on the timing and responsibilities of the appointment it may be necessary to set different annual bonus/STDIP performance measures and targets as applicable to other Executive Directors.

Benefits (including pension, Company vehicle or cash allowance, healthcare, life assurance, health check and, where applicable, relocation assistance) would be consistent with the principles of the policy as set out on page 54.

For an internal appointment, his or her existing pension arrangements may continue to operate (which may include participation as an employee deferred member in the defined benefit plan, which is closed to future accrual) and any existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.

In the event that a buyout award is necessary to secure the services of an Executive Director then the structure of the award will mirror, as far as is possible, the arrangements in place at the incoming Executive Director's previous employer, and may include cash and/or an award of shares. Any share awards made outside of the Company's existing plans may have no or different performance conditions or a shorter vesting period compared to the Company's existing plans. Shareholders will be informed of any buyout arrangements at the time of the Executive Director's appointment.

Recruitment of Non-Executive Directors

Chairman

The Committee will recommend to the Board a fee appropriate to the experience and responsibilities of the new appointee.

Other Non-Executive Directors

The fee will be set in line with the fee structure for Non-Executive Directors in place at the date of appointment.

Consideration of employment conditions elsewhere in the Group

The Committee is regularly updated throughout the year on pay and conditions applying to Group employees. Where significant changes are proposed to employment conditions elsewhere in the Group these are highlighted for the attention of the Committee at an early stage. The Committee is informed of the base pay review budget applicable to other employees and is cognisant of changes to the National Minimum Wage when considering the pay of Executive Directors.

Employees are not specifically consulted on Executive Remuneration. All employees are, however, invited to take part in our annual Your Say employee engagement survey in which they have an opportunity to provide anonymous feedback on a wide range of topics of interest or concern to them. The results of the survey are reviewed by the Board; any significant concerns over remuneration would be considered separately by the Committee in meeting and, if appropriate, taken into account when determining the remuneration policy.

Consideration of shareholder views

Following the review of our remuneration policy in 2014, major shareholders and investor groups were consulted on the changes to policy. The consultation took the form of a detailed letter from the Committee Chair outlining the proposed changes. Shareholders and their representative bodies will continue to be consulted where material changes to the Executive Directors' remuneration policy are being considered. We remain committed to shareholder dialogue and take an active interest in voting outcomes. We consult extensively with our major shareholders when setting our remuneration policy. If there are any particular shareholders opposed to our policy, we would endeavour to meet with them, as appropriate, to understand any issues they may have.

Annual report

This section details the remuneration of the Executive and Non-Executive Directors (including the Chairman) for the financial year ended 27 September 2014. The report will be subject to an advisory vote at the AGM on 29 January 2015.

Committee membership and operation

Committee members were appointed on 11 July 2013. From that date Imelda Walsh was appointed as Committee Chair. Committee members are listed below.

Name	Date of Appointment	Name	Date of Appointment
Imelda Walsh (Chair)*	11 July 2013	Bob Ivell	11 July 2013
Colin Rutherford*	11 July 2013	Ron Robson	11 July 2013
Stewart Gilliland*	11 July 2013	Eddie Irwin	11 July 2013

* Independent Non-Executive Directors.

Committee activity during the year

The Committee met four times during the year and agenda items included the following:

November 2013

- Approval of 2013 bonus payments
- Release of the second tranche of the 2011 deferred bonus awards
- Review of Executive Directors' salaries
- Update on Directors' shareholdings
- Review of Directors' expenses
- Review of advisers to the Committee

March 2014

- Incentive arrangements for 2015 – first proposals
- Appointment of advisers to the Committee
- Consideration of employment terms and conditions across the Group
- Review of Directors' remuneration reporting requirements

June 2014

- Executive remuneration trends
- Incentive arrangements for 2015 – updated/final proposals
- LTIP arrangements for 2015 award

September 2014

- 2014 Directors' remuneration report drafting
- 2015 Incentive Scheme targets
- Chairman's fee review

Advice to the Committee

During the year a review of advisers was undertaken and New Bridge Street ('NBS'), a trading name of Aon Plc, were appointed as advisers to the Committee in March 2014. Since appointment, NBS has provided the Committee with external advice on a wide range of issues including short and long-term incentive plans, salary benchmarking for senior employees and general remuneration advice. Prior to the appointment of NBS, PricewaterhouseCoopers ('PwC') provided advice to the Committee. Total fees payable in respect of remuneration advice in the reporting year totalled £104,963¹ (£94,863 NBS and £10,100 PwC). In addition, during FY 2014 PwC undertook work in the areas of internal audit, project assurance and VAT. PwC also provides pensions audit advice to the Group's pension scheme trustees.

1. Fees are shown net of VAT. 20% VAT was paid on the advisers' fees shown above.

Advice was also received from the Company's legal advisers, Freshfields Bruckhaus Deringer LLP, on the operation of the Company's employee share schemes, pension schemes and on corporate governance matters.

The Committee is satisfied that the advice received from its advisers was objective and independent.

The Committee determines the policy and individual remuneration package for each Executive Director and the Company Chairman. In addition, the Committee makes recommendations to the Board on any new long-term incentive plans, but such plans are approved by the Board as a whole and, where necessary, by shareholders.

Members of management including Susan Martindale, the Group HR Director and Craig Provett, the Director of Compensation & Benefits, are invited to attend meetings on remuneration matters where appropriate. They are not present when matters affecting their own remuneration arrangements are decided. The Company Chairman does not attend Board or Committee meetings when his remuneration is under review. Alistair Darby and Tim Jones were present at meetings where the Company's share schemes, long and short-term incentive arrangements and pension plan were discussed. However, each declared an interest in the matters under review and did not participate in the discussion.

Statement of voting at general meeting

The Committee is pleased that last year the remuneration report received a 99.87% shareholder vote in favour as set out below.

Votes Cast	Votes For ^a	%	Votes Against	%	Votes Withheld ^b
349,560,691	349,102,726	99.87	457,965	0.13	2,867,296

a. The 'For' vote includes those giving the Company Chairman discretion.

b. A vote withheld is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution.

Votes 'For' and 'Against' are expressed as a percentage of votes cast.

Pay outcomes

The tables and related disclosures set out on pages 60 to 63 on Directors' remuneration, STDIP, share options, Share Incentive Plan and pension benefits have been audited by Deloitte LLP.

Directors' remuneration

The tables set out the single figure remuneration received by the Executive Directors and the Non-Executive Directors during the reporting year. Details of performance under the annual bonus plan are set out on page 61.

Report on Directors' remuneration

continued

Executive Directors

	Basic salaries £000		Taxable benefits ^a £000		Short-term incentives ^b £000		Pension related benefits ^c £000		Long-term incentives £000		Total remuneration £000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Alistair Darby	531	513	18	14	–	365	93	90	–	–	642	982
Tim Jones	417	408	17	17	–	290	75	76	–	–	509	791
Doug Evans ^d	–	87	–	5	–	–	–	17	–	–	–	109
Sub Total Executive Directors	948	1,008	35	36	–	655	168	183	–	–	1,151	1,882

Non-Executive Directors

	Fees £000		Taxable benefits ^h £000		Short-term incentives ^b £000		Pension related benefits ^c £000		Long-term incentives £000		Total remuneration £000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Bob Ivell ^e	274	319	6	5	–	–	–	–	–	–	280	324
Ron Robson	50	188	32	7	–	–	–	–	–	–	82	195
Stewart Gilliland ^f	50	18	1	1	–	–	–	–	–	–	51	19
Eddie Irwin	50	50	–	–	–	–	–	–	–	–	50	50
Douglas E McMahon	50	50	1	1	–	–	–	–	–	–	51	51
Colin Rutherford ^g	60	24	2	–	–	–	–	–	–	–	62	24
Imelda Walsh ^g	60	24	1	1	–	–	–	–	–	–	61	25
Sub Total Non-Executive Directors	594	673	43	15	–	–	–	–	–	–	637	688
Total Executive Directors and Non-Executive Directors	1,542	1,681	78	51	–	655	168	183	–	–	1,788	2,570

- a. Taxable benefits for the year comprised car allowance, healthcare, taxable expenses and the award of free shares under the all-employee SIP as set out on page 62. The 2013 figure has been restated to include awards made under the SIP (£2,997 in respect of Tim Jones).
- b. The short-term incentives are granted in the form of an annual bonus, 50% is paid in cash and the remainder is deferred into shares and is subject to the rules of the STDIP. The deferred remuneration is not subject to a performance condition, see page 53.
- c. Includes supplements paid in lieu of contributions to the Company Scheme (£93,380 Alistair Darby and £59,937 Tim Jones).
- d. Doug Evans left the employment of the Group on 31 January 2013.
- e. Bob Ivell stepped down as Executive Chairman and resumed the role of Non-Executive Chairman from 12 November 2012.
- f. Stewart Gilliland was appointed to the Board on 23 May 2013.
- g. Colin Rutherford and Imelda Walsh were appointed to the Board on 22 April 2013.
- h. For 2014, taxable benefits for Non-Executive Directors include cash payments made or accounted for by the Company relating to the reimbursement of expenses; where applicable these amounts are inclusive of tax and National Insurance (restated for 2013).

Executive Directors' salaries

Salaries were reviewed on 1 January 2014. From this date Alistair Darby's salary was increased from £525,000 to £535,500 (2%) and Tim Jones' salary was increased from £412,000 to £420,250 (2%).

There were no payments made to former Directors during the year and no payments were, or are due to be, made in respect of loss of office.

Non-Executive Directors' fee level and structure

During the reporting year the fee structure applicable to the Non-Executive Directors was as follows.

Dates	Basic fee £	Committee chair fee* £
From 11 July 2013 to date	50,000	10,000

* Not applicable to Nomination Committee. No additional fee is paid for Committee membership.

Chairman

The fee paid to the Chairman remained at £275,000 per annum, terminable by either party at any time without notice and without compensation.

Directors' Pension Benefits

Pension (or cash allowance)

Tim Jones participated in the defined contribution section of the Mitchells & Butlers Executive Pension Plan (the 'Plan') until 5 April 2014. Under the Plan, Executive Directors' contributions of up to 5% of salary are matched on a four times basis by the Company. From 6 April 2014 Mr Jones became a non-contributory member of the Plan and received a cash allowance equivalent to the net cost to the Company of a 20% of base salary contribution.

As an alternative to the Company's contribution to the Plan, any member who has (i) aggregate pension savings at or above the Lifetime Allowance threshold (£1.5m in tax year 2013/14 and £1.25m in tax year 2014/15), or (ii) who has Fixed Protection; or (iii) whose combined (employee and Company) contributions to the Plan would otherwise be in excess of the Annual Allowance (£50,000 in tax year 2013/14 and £40,000 in tax year 2014/15), may elect to receive a cash allowance equivalent to the net cost to the Company of the contribution which would otherwise have been made to the Plan.

The Plan provides for a normal pension age of 60 and, in the event of death, there is life assurance cover of up to six times plan pay. The Plan also provides for full and partial incapacity benefit where the member is unable to continue in employment due to ill health. Active members of the Plan have the option to pay additional voluntary contributions.

Alistair Darby is not a member of the Plan. Mr Darby receives a cash allowance equivalent to the net cost to the Company of a 20% of base salary contribution.

	Company contribution (£)		Cash allowance (£)	
	2014	2013	2014	2013
Directors				
Alistair Darby	–	–	93,380	90,245
Tim Jones	15,187	29,620	59,937	45,647

Annual performance bonus and STDIP

The annual bonus and STDIP operate as set out in the policy section of this report. Details of the 2014 STDIP are set out below.

Annual Bonus Performance Measure	Performance	% of base salary payable
Adjusted earnings per share (EPS)	Target* 36.1p	50%
	Maximum (110% of target) 39.7p	100%

* Bonus is payable on a straight line basis between target and maximum.

The Group delivered EPS of 32.6p being 97% of target performance resulting in no bonus being payable in respect of FY 2014.

A bonus share award was made during the reporting year under the terms of the STDIP in respect of FY 2013 performance, details of which are set out in the table below:

	Shares awarded during the year to 27/09/14	Basis of award	Vesting date	Face value* £
Executive Directors				
Alistair Darby	44,436	50% of 2013	50% of the award will vest to participants 12 months	182,276
Tim Jones	35,292	annual bonus**	after grant and 50% 24 months after grant	144,768
Total	79,728			327,044

* Face value based on a share price of 410.2p, this being the average of the middle market quotation of a Mitchells & Butlers share over the three days prior to the award.

** Deferred bonus subject only to continued employment.

Long-term incentives vesting during the year

No long-term incentives were granted that were able to vest during the year being reported on or shortly after the end of the year. The next long-term incentive award capable of vesting will be the award made in February 2013 in respect of the FY 2013 to FY 2015 performance period, which may vest in November 2015, subject to performance and continued employment.

Long-term incentive awards made in FY 2014

An award was made in accordance with the rules of the Performance Restricted Share Plan ('PRSP') and as set out in the policy section of this report.

The independent elements of the performance measure for the November 2013 award, each of which accounts for 50% of the award, are summarised below:

	Threshold vesting target*	Maximum vesting target
1. Compound annual adjusted Earnings Per Share ('EPS') growth (measured before exceptional items and other adjustments).	25% will vest if the compound annual EPS growth is 8%.	100% will vest if compound annual EPS growth is at least 16%.
2. Total Shareholder Return (TSR) relative to a peer group of comparator companies.**	25% will vest for TSR performance equivalent to the median of the comparator group.	100% will vest for TSR performance equivalent to the median of the comparator group x 1.35.

The EPS and TSR conditions are measured over three years from the start of the financial year in which they are granted, ie three years from 29 September 2013, ending 25 September 2016.

The TSR element of the award is also subject to a share price underpin and may only be exercised where the Mitchells & Butlers share price has equalled or exceeded the share price at the date of award within six months of the vesting date. If this condition is not met, then the vested TSR element of the option will lapse.

* Between threshold and maximum, vesting under each measure is on a straight line basis. Below threshold the award will lapse.

** Enterprise Inns, Punch Taverns, Fuller, Smith & Turner, Greene King, Marston's, Whitbread, J D Wetherspoon, Spirit Pub Company and The Restaurant Group.

Report on Directors' remuneration

continued

EPS and TSR targets were set by the Committee having taken advice from PwC, its independently appointed adviser at the time of the award.

Performance measurement under the PRSP, which is not re-tested, is reviewed and certified by the Company's auditor.

Around 60 senior employees participate in the PRSP; the award level varies by job category, ranging from 50% of base salary for the majority, up to 200% for the CEO. Details of awards made to Executive Directors under the PRSP are set out below.

	Options awarded during the year to 27/09/14	Basis of award (% of Basic Annual Salary)	Award date	Market price per share at award date (p)	Actual/planned vesting date	Latest lapse date	Face value* £
Executive Directors							
Alistair Darby	262,434	200	28/11/13	400.1	25/11/16	25/11/18	1,049,998
Tim Jones	144,162	140	28/11/13	400.1	25/11/16	25/11/18	576,792
Total	406,596						1,626,790

* Face value is the maximum number of shares that would vest if the performance measure (as described above) is met in full, multiplied by the middle market quotation of a Mitchells & Butlers share on the business day immediately preceding the award.

The aggregate option price of each award is £1.

All-employee Sharesave and SIP

An award was made under each of the HMRC-approved all-employee share plans in line with the policy set out on page 53.

A grant under the Sharesave scheme and a free share award under the SIP was made in June 2014.

The tables below show Directors' share options under the Sharesave and shares under the SIP.

Sharesave

	Date of grant	Opening balance 29/09/13	Shares awarded during the year 29/09/13 to 27/09/14	Ordinary shares under option			Closing balance at 27/09/14	Option price (p)	Market share price on date of exercise	Earliest exercise date	Last expiry date
				Vested during period	Exercised during period	Lapsed during period					
Director											
Alistair Darby	26/06/14	–	5,487	–	–	–	5,487	328.0	–	01/10/17	31/03/18
Tim Jones	20/06/12	4,945	–	–	–	–	4,945	182.0	–	01/10/15	31/03/16
	26/06/14	–	2,743	–	–	–	2,743	328.0	–	01/10/17	31/03/18
Total		4,945	8,230	–	–	–	13,175	–	–	–	–

SIP

As at 27 September 2014 the Executive Directors had the following entitlements under the Free Share element of the all-employee SIP.

	Shares held at 28/09/13	Shares awarded during the year 29/09/13 to 27/09/14	Award date	Market price per share at award (p)	Normal vesting date	Market price per share at normal vesting date (p)	Shares held at 27/09/14
Director							
Alistair Darby	–	923	26/06/14	389.7	26/06/17	–	923
Tim Jones	1,204	–	20/06/12	249.3	20/06/15	–	1,204
	800	–	28/06/13	374.6	28/06/16	–	800
	–	813	26/06/14	389.7	26/06/17	–	813
Total	2,004	1,736	–	–	–	–	3,740

Directors' entitlements under the Partnership Share element of the SIP are set out as part of the Directors' interests table on page 63.

PRSP, STDIP and other share awards

The table below sets out details of the Executive Directors' outstanding awards under the PRSP, STDIP and SAYE.

Name of Director	Scheme	Number of shares at 28 September 2013	Granted during the period	Date of grant	Lapsed during the period	Exercised during the period	Number of shares at 27 September 2014	Date from which exercisable	Expiry date
Alistair Darby	PRSP 2013-15 ^a	307,210	–	Feb 2013	–	–	307,210	Nov 2015	Nov 2017
	PRSP 2014-16 ^a	–	262,434	Nov 2013	–	–	262,434	Nov 2016	Nov 2018
	STDIP 2013	–	44,436	Dec 2013	–	–	44,436	Dec 2014 ^b	Dec 2015
	SAYE 2014	–	5,487	Jun 2014	–	–	5,487	Oct 2017	Mar 2018
	Total	307,210	312,357		–	–	619,567		
Tim Jones	PRSP 2013-15 ^a	169,846	–	Feb 2013	–	–	169,846	Nov 2015	Nov 2017
	PRSP 2014-16 ^a	–	144,162	Nov 2013	–	–	144,162	Nov 2016	Nov 2018
	STDIP 2013	–	35,292	Dec 2013	–	–	35,292	Dec 2014 ^b	Dec 2015
	SAYE 2012	4,945	–	Jun 2012	–	–	4,945	Oct 2015	Mar 2016
	SAYE 2014	–	2,743	Jun 2014	–	–	2,743	Oct 2017	Mar 2018
	Total	174,791	182,197		–	–	356,988		

a. 50% of the PRSP awards are subject to a TSR condition and the other 50% subject to adjusted EPS growth targets. Adjusted EPS is affected by the adoption of IAS 19 Employee Benefits and related changes in reporting. The Remuneration Committee will consider in due course the impact of these changes for EPS measurement. In any event the 8% to 16% growth targets will remain unchanged which will ensure that targets are no less stretching than the original ones.

b. Shares released in two equal tranches 12 and 24 months after grant. Date shown is the first release date.

Directors' interests

Executive Directors are expected to hold Mitchells & Butlers' shares in line with the shareholding guidelines set out in the Remuneration Policy report.

Based on the valuation methodology as set out in the shareholding policy, Alistair Darby's shareholding was 0.638 (2013 0.597) times his basic annual salary and Tim Jones' shareholding was 0.234 (2013 0.089) times his basic annual salary.

The interests of the Directors in the ordinary shares of the Company as at 27 September 2014 and at 28 September 2013 (or date of appointment if later) were as set out below:

	Wholly owned shares (without performance conditions) ^a		Shares with performance conditions		Unvested options/awards without performance conditions ^b		Unvested options/awards with performance conditions ^c		Vested but unexercised options		Total shares/options	
	27/09/2014	28/09/2013	27/09/2014	28/09/2013	27/09/2014	28/09/2013	27/09/2014	28/09/2013	27/09/2014	28/09/2013	27/09/2014	28/09/2013
Executive Directors												
Alistair Darby	85,588	77,423	–	–	49,923	–	569,644	307,210	–	–	705,155	384,633
Tim Jones	24,667	9,048	–	–	42,980	11,466	314,008	169,846	–	–	381,655	190,360
Former Director												
Doug Evans	–	912 ^d	–	–	–	8,241 ^d	–	–	–	–	–	9,153 ^d
Non-Executive Directors												
Bob Ivell	12,006	–	–	–	–	–	–	–	–	–	12,006	–
Ron Robson	–	–	–	–	–	–	–	–	–	–	–	–
Stewart Gilliland	–	–	–	–	–	–	–	–	–	–	–	–
Eddie Irwin	10,000	10,000	–	–	–	–	–	–	–	–	10,000	10,000
Douglas E McMahon	–	–	–	–	–	–	–	–	–	–	–	–
Colin Rutherford	–	–	–	–	–	–	–	–	–	–	–	–
Imelda Walsh	7,500	–	–	–	–	–	–	–	–	–	7,500	–
Total	139,761	97,383	–	–	92,903	19,707	883,652	477,056	–	–	1,116,316	594,146

a. Includes Free Shares and Partnership Shares granted under the SIP.

b. Options granted under the Sharesave as detailed in the table on page 62 and deferred bonus awards granted under the STDIP.

c. Options granted under the PRSP as detailed in the table on page 62.

d. At 31 January 2013, the date on which Mr Evans left the employment of the Group.

No share options were exercised in the year by either Alistair Darby or Tim Jones.

Directors' shareholdings (shares without performance conditions) include shares held by connected persons.

The above shareholdings are beneficial interests and are inclusive of Directors' holdings under the Share Incentive Plan (both Free Share and Partnership Share elements).

Report on Directors' remuneration

continued

Under the Partnership Share element of the Share Incentive Plan Alistair Darby and Tim Jones acquired 76 shares and 64 shares of the Company respectively, between the end of the financial year and 24 November 2014.

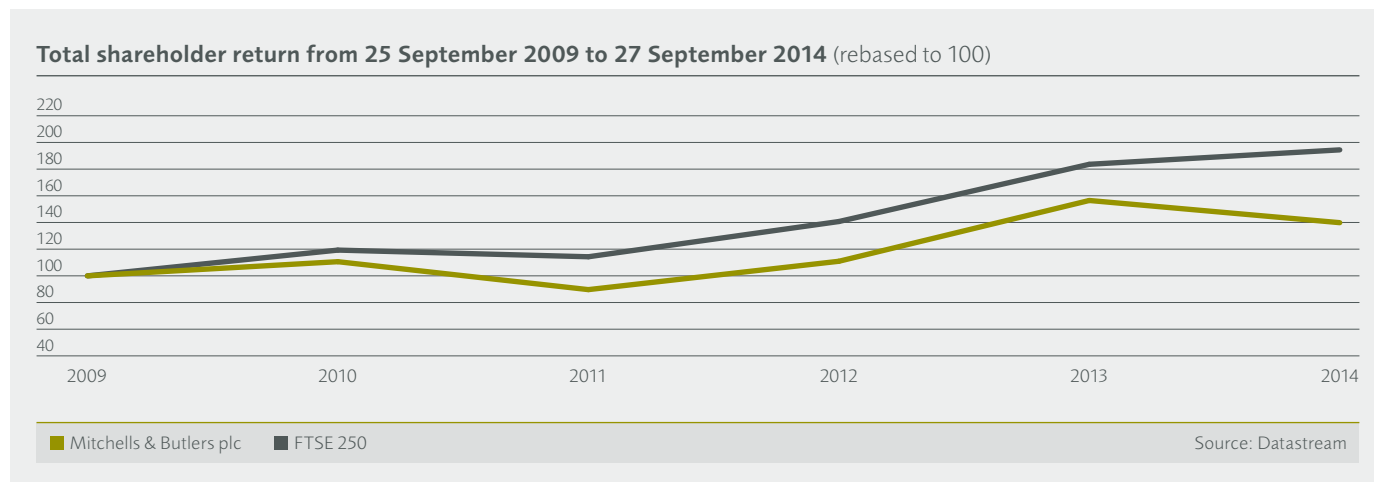
None of the Directors has a beneficial interest in the shares of any subsidiary or in debenture stocks of the Company or any subsidiary.

The market price per share on 27 September 2014 was 367.3 pence and the range during the year to 27 September 2014 was 367.3 pence to 491.3 pence per share.

The Executive Directors as a group beneficially own 0.03% of the Company's shares.

TSR performance graph

The Company's TSR performance for the last five financial years is shown below against the FTSE 250 index. The FTSE 250 index has been chosen to show TSR performance as the Company is a member of the FTSE 250.



CEO five-year earnings history

Year ended	25/09/10	24/09/11	29/09/12	28/09/13	27/09/14
Alistair Darby					
Single figure remuneration (£000)	–	–	–	982 ^a	642
Annual bonus outcome (% of max)	–	–	–	71.0	–
LTIP vesting outcome (% of max)	–	–	–	n/a	n/a ^b
Bob Ivell					
Single figure remuneration (£000)	–	–	557	69 ^c	–
Annual bonus outcome (% of max)	–	–	n/a ^d	n/a ^d	–
LTIP vesting outcome (% of max)	–	–	n/a ^d	n/a ^d	–
Jeremy Blood					
Single figure remuneration (£000)	–	397	50	–	–
Annual bonus outcome (% of max)	–	– ^e	n/a ^d	–	–
LTIP vesting outcome (% of max)	–	n/a ^d	–	–	–
Adam Fowle					
Single figure remuneration (£000)	1,315	483 ^f	–	–	–
Annual bonus outcome (% of max)	87.6	16.0	–	–	–
LTIP vesting outcome (% of max)	16.2	24.2	–	–	–

a. Alistair Darby formally took up the position of CEO on 12 November 2012 following a short period of induction and handover. The figure shown reflects the date of his appointment to the Board (8 October 2012).

b. No long-term incentive plan is due to vest in respect of the year ended 27 September 2014.

c. Figure shown is up to and including 11 November 2012 as Bob Ivell remained Executive Chairman to this date.

d. The Director was not a participant in the plan.

e. Jeremy Blood was not a participant in the short-term incentive plan; at the discretion of the Board a payment of £100,000 was made in respect of his contribution as Interim Chief Executive. This payment is included in the single remuneration figure (£397,000) above. Earnings exclude the fee payable for the period 26 September 2010 to 14 March 2011 during which Mr Blood served as a Non-Executive Director.

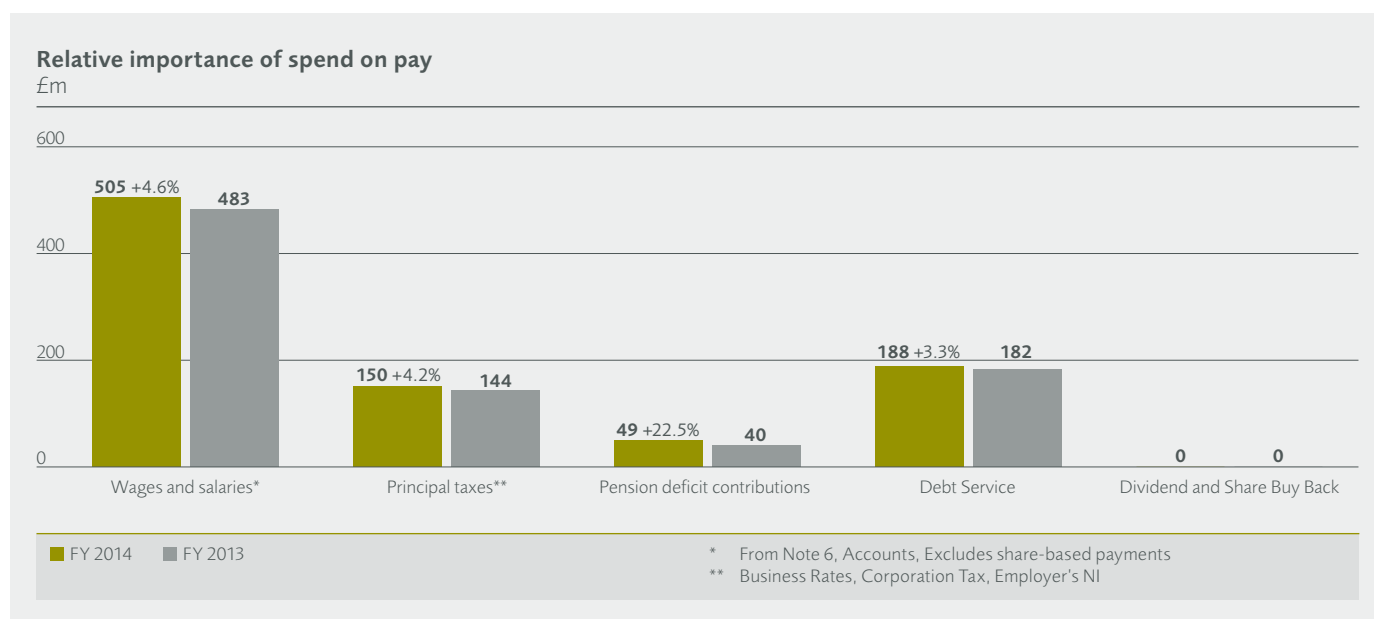
f. Earnings disclosed are to 15 March 2011 when Mr Fowle stepped down as CEO.

Change in remuneration of the CEO

	Salary (£)			Taxable Benefits (£)			Bonus (£)		
	2014	2013	% Change	2014	2013	% Change	2014	2013	% Change
CEO	531,334	582,534	(8.79)	14,483	14,445	0.26	0	364,580	(100)
Salaried Employees	30,474	30,419	0.18	771	710	8.59	1,922	3,364	(42.9)

The FY 2013 CEO figures shown are the combined earnings of Bob Ivell whilst Executive Chairman, and Alistair Darby, from the date he was appointed to the Board. The CEO figures do not include LTIP awards or pension benefits as disclosed in the single figure table.

The change in CEO remuneration is compared to the change in average remuneration of all full time salaried employees, which includes General Managers, Assistant Managers and Kitchen Managers employed in our businesses (excluding Orchid). Salaried employees with part year service in either FY 2013 or FY 2014 have been excluded from the comparison figures. Retail staff employees have been excluded from the comparator group as they are hourly paid, largely part time and do not participate in any bonus plans.



Figures shown for wages and salaries are all earnings, including bonus. In FY 2014 £1.54m (0.3%) was paid to Executive and Non-Executive Directors (2013 £2.34m (0.5%)).

Implementation of Remuneration Policy in Financial Year 2015

Executive Directors' Salary Review

Salaries are next due to be reviewed with effect from 1 January 2015. From this date Alistair Darby's salary will be increased to £543,500 (1.5%) and Tim Jones' salary will be increased to £426,500 (1.5%).

Annual performance bonus

The Committee has reviewed the performance measures and the following changes will take effect for FY 2015:

- The Company profit measure in the annual plan will be PBT. The Committee considers that PBT better reflects the operational performance of the business over a single year than the previous measure of adjusted earnings per share.
- A maximum of 75% of base salary will be payable for performance against Company PBT.
- Up to 25% of base salary will be paid for the achievement against our Guest Satisfaction measure, net promoter score (NPS). NPS is a lead measure of future performance and is one of the key performance indicators that underpins the business strategy.
- There will be no payout on the NPS element if profit is below a pre-determined threshold, for 2014/15 being 95% of target PBT. Combined payments at on-target and maximum remain as current, with a total of 50% of base salary being paid if on-target performance is achieved across both measures, and 100% of salary for maximum achievement.

PBT and NPS targets are deemed to be commercially sensitive and will not be disclosed in advance. However, retrospective disclosure of targets and performance against them will be provided in next year's remuneration report.

Report on Directors' remuneration

continued

Long Term Incentive Plans

An award is due to be made in November 2014 in respect of the FY 2015 to FY 2017 performance period. The Committee has reviewed the performance condition applicable to the PRSP, and felt that TSR should be measured against a comparator group consisting of the 33 companies that constitute the FTSE All Share Travel & Leisure group. Previously TSR was measured against nine other Restaurants and Bars companies but the Committee felt there were too few comparators for a robust comparison, particularly in the event of any delistings during the performance period. There are no other changes to the performance condition from that which was in place for the 2013 awards.

The table below summarises the revised performance condition for the performance period 2015-2017:

Performance measures (each accounting for 50% of the award)	Threshold vesting target*	Maximum vesting target
1. Compound annual adjusted Earnings Per Share ('EPS') growth (measured before exceptional items and other adjustments).	25% will vest if the compound annual EPS growth is 8% per annum.	100% will vest if compound annual EPS growth is at least 16% per annum.
2. Total Shareholder Return (TSR) relative to a peer group of comparator companies comprising the FTSE All Share Travel & Leisure group.	25% will vest for TSR performance equivalent to the median of the comparator group.	100% will vest for TSR performance equivalent to the upper quartile of the comparator group.

* Between threshold and maximum, vesting under each measure is on a straight line basis. Below threshold the award will lapse.

The TSR element of the award is also subject to a share price underpin and may only be exercised where the Mitchells & Butlers' share price has equalled or exceeded the share price at the date of award within six months of the vesting date. If this condition is not met, then the vested TSR element of the option will lapse.

Non-Executive Directors' fee review

The fee applicable to the Chairman has been reviewed and with effect from 1 January 2015 the fee payable to Bob Ivell will increase to £285,000. The fee payable to Mr Ivell has not increased since his appointment in July 2011.

Non-Executive Directors' fees have been reviewed and with effect from 1 January 2015 the base fee for Non-Executive Directors will increase to £52,000. Non-Executive Directors' base fees were last increased in January 2011. The fees applicable to Committee chairs are unchanged. The table below sets out the revised fee structure:

	Basic fee £	Committee chair fee* £
	52,000	10,000

* Not applicable to Nomination Committee. No additional fee is paid for Committee membership.

Approved by the Board

Imelda Walsh

Chair of the Remuneration Committee

24 November 2014

Financial statements

- 68 Independent auditor's report to the members of Mitchells & Butlers plc
- 70 Group income statement
- 71 Group statement of comprehensive income
- 72 Group balance sheet
- 73 Group statement of changes in equity
- 74 Group cash flow statement
- 75 Notes to the financial statements
- 104 Five year review
Income statement information
- 105 Company balance sheet
- 106 Notes to the Company financial statements



Independent auditor's report to the members of Mitchells & Butlers plc

Opinion on financial statements of Mitchells & Butlers plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 27 September 2014 and of the Group's and the Company's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise of the Group income statement, the Group statement of comprehensive income, the Group and Company balance sheets, the Group cash flow statement, the Group statement of changes in equity and the related notes 1 to 30 on the Group financial statements, and the related notes 1 to 10 on the Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained on page 40 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. With the exception of the risk in respect of the Orchid acquisition accounting, the risks are consistent with the audit we performed in respect of the 52 week period ended 28 September 2013.

Risk	How the scope of our audit responded to the risk
Valuation of pub estate	
There are a number of key assumptions and estimates used in the valuation of the pub estate. The market value is determined using factors such as estimated fair maintainable trading levels and comparable market transactions. An estimated multiple is derived for each of the Group's brands, which is then applied to the fair maintainable trade. In specific circumstances where this approach does not fairly represent the underlying value of the property, a spot valuation is applied.	<p>We worked with our property valuation specialists and management's external advisers to challenge the methodology as described in note 14 to the financial statements and underlying assumptions to the pub estate valuation. This included:</p> <ul style="list-style-type: none"> • assessing the appropriateness of any changes to assumptions since the prior period; and • discussing the valuation process with management's external advisers and obtaining evidence where required including benchmarking valuations to comparable market transactions where data was available and obtaining evidence for a sample of spot valuations. <p>Additionally we:</p> <ul style="list-style-type: none"> • compared the estimated fair maintainable trading levels to historical trading results and investigated variances; • tested the integrity of the data used in the valuations by agreeing a sample to source data; • assessed the competence, independence and integrity of management's external advisers; and • reviewed post period end trading to verify that it supported the valuations as at 27 September 2014.
Orchid acquisition accounting	
The acquisition accounting required the exercise of judgement to determine the appropriate fair values of the assets and liabilities acquired in this transaction. In particular, there were key assumptions used in determining the fair value of the acquired pub estate including the estimated fair maintainable trading levels and the multipliers applied to each site.	We worked with our property valuation specialists to challenge the methodology used by the external valuers to determine the fair value applied to the Orchid pub estate including consideration of the consistency of the approach with the valuation methodology of the remainder of the estate. We have considered the competence, independence and integrity of the external valuer. We were assisted by our tax specialists in assessing the associated deferred tax. We also assessed the appropriateness and completeness of the remaining fair value adjustments by obtaining evidence for judgemental balances such as accruals and provisions.
Tax provisions	
The value of the tax provisions recorded in respect of a number of uncertain tax positions require judgements in respect of the likely outcome of negotiations with and enquiries from tax authorities.	We utilised our tax specialists to appraise the likely outcome of technical tax treatments and review correspondence with the revenue authorities to assess the reasonableness of the provisions made.
Accounting for defined benefit schemes	
The actuarial assumptions used in the measurement of the Group's net pension liability are inherently judgemental, such as the discount rate and inflation.	We tested the actuarial assumptions used to calculate the net pension deficit using our actuarial specialists to perform an assessment of the key assumptions as described in note 8 to the financial statements with reference to comparable market data and obtained evidence for the additional liability recognised in respect of the minimum funding requirement.

The Audit Committee's consideration of these risks is set out on page 49.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £9m, which is approximately 5% of profit before tax and exceptional items being acquisition costs, movements in the valuation of the property portfolio and impairment (2013 £9m, determined on the same basis). These items are excluded due to their volatility and this is consistent with the Group's internal and external reporting to facilitate a better understanding of the underlying trading performance.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £180,000 (2013 £180,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we performed a full scope audit in respect of the UK retail operating business, the UK property business and the German business (2013 we performed a full scope audit in respect of the UK retail operating business and UK property business). These three businesses account for 100% of the Group's total assets, revenue and operating profit (2013 two businesses accounting for 100% of total assets, 97% revenue, 95% operating profit). Our audit work of these businesses was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. At the parent entity level we also tested the consolidation process.

The Group audit team includes the German component audit team in our audit team briefing, discusses their risk assessment, and reviews documentation of the findings from their work. A senior member of the Group audit team also performed a site visit to Germany.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report on Directors' remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and Business review and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Report on Directors' remuneration to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate governance statement

Under the Listing Rules we are also required to review the part of the Corporate governance statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Stephen Griggs

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
24 November 2014

Group income statement

For the 52 weeks ended 27 September 2014

	Notes	2014 52 weeks			2013 52 weeks restated*		
		Before exceptional items £m	Exceptional items ^a £m	Total £m	Before exceptional items £m	Exceptional items ^a £m	Total £m
Revenue	3	1,970	–	1,970	1,895	–	1,895
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	4, 9	(1,548)	(12)	(1,560)	(1,475)	–	(1,475)
EBITDA^b		422	(12)	410	420	–	420
Depreciation, amortisation and movements in the valuation of the property portfolio	4, 9	(109)	(37)	(146)	(110)	(29)	(139)
Operating profit/(loss)	3	313	(49)	264	310	(29)	281
Finance costs	10	(132)	–	(132)	(130)	–	(130)
Finance revenue	10	1	–	1	2	–	2
Net pensions finance charge	8, 10	(10)	–	(10)	(11)	–	(11)
Profit/(loss) before tax		172	(49)	123	171	(29)	142
Tax (expense)/credit	9, 11	(38)	8	(30)	(39)	25	(14)
Profit for the period		134	(41)	93	132	(4)	128
Earnings per ordinary share							
– Basic	12	32.6p		22.6p	32.2p		31.2p
– Diluted	12	32.4p		22.5p	32.0p		31.0p

* Restated for the impact of IAS 19 (revised) and presentation of pensions finance charge, see note 8.

a. Exceptional items are explained in note 1 and analysed in note 9.

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

The notes on pages 75 to 103 form an integral part of these financial statements.

All results relate to continuing operations.

Group statement of comprehensive income

For the 52 weeks ended 27 September 2014

	Notes	2014 52 weeks £m	2013 52 weeks restated* £m
Profit for the period		93	128
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of the property portfolio	14	62	60
Remeasurement of pension liability	8	(214)	–
Tax relating to items not reclassified	11	33	16
		(119)	76
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(1)	1
Cash flow hedges:			
– (Losses)/gains arising during the period	19	(59)	53
– Reclassification adjustments for losses included in profit or loss	19	48	47
Tax relating to items that may be reclassified	11	2	(30)
		(10)	71
Other comprehensive (loss)/income after tax		(129)	147
Total comprehensive (loss)/income for the period		(36)	275

* Restated for the impact of IAS 19 (revised), see note 8.

The notes on pages 75 to 103 form an integral part of these financial statements.

Group balance sheet

27 September 2014

	Notes	2014 £m	2013 £m
Assets			
Goodwill and other intangible assets	13	18	5
Property, plant and equipment	14	4,242	3,895
Lease premiums		1	2
Deferred tax asset	20	149	105
Derivative financial instruments	19	5	5
Total non-current assets		4,415	4,012
Inventories	15	27	24
Trade and other receivables	16	60	72
Other cash deposits	26	–	25
Cash and cash equivalents	26	255	340
Total current assets		342	461
Total assets		4,757	4,473
Liabilities			
Pension liabilities	8	(45)	(40)
Trade and other payables	17	(300)	(263)
Current tax liabilities		(21)	(17)
Borrowings	18	(208)	(57)
Derivative financial instruments	19	(45)	(46)
Total current liabilities		(619)	(423)
Pension liabilities	8	(380)	(208)
Other payables	17	–	(12)
Borrowings	18	(2,012)	(2,075)
Derivative financial instruments	19	(196)	(182)
Deferred tax liabilities	20	(353)	(345)
Long-term provisions	21	(12)	(9)
Total non-current liabilities		(2,953)	(2,831)
Total liabilities		(3,572)	(3,254)
Net assets		1,185	1,219
Equity			
Called up share capital	22, 24	35	35
Share premium account	24	24	23
Capital redemption reserve	24	3	3
Revaluation reserve	24	918	869
Own shares held	24	(4)	(4)
Hedging reserve	24	(196)	(187)
Translation reserve	24	11	12
Retained earnings		394	468
Total equity		1,185	1,219

The notes on pages 75 to 103 form an integral part of these financial statements.

Signed on behalf of the Board on 24 November 2014

Alistair Darby
Tim Jones

Group statement of changes in equity

For the 52 weeks ended 27 September 2014

	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 2012	35	21	3	793	(3)	(257)	11	340	943
Profit for the period*	–	–	–	–	–	–	–	128	128
Other comprehensive income/(expense)*	–	–	–	76	–	70	1	–	147
Total comprehensive income/(expense)	–	–	–	76	–	70	1	128	275
Share capital issued	–	2	–	–	–	–	–	–	2
Purchase of own shares	–	–	–	–	(5)	–	–	–	(5)
Release of own shares	–	–	–	–	4	–	–	(2)	2
Credit in respect of share-based payments	–	–	–	–	–	–	–	2	2
At 28 September 2013	35	23	3	869	(4)	(187)	12	468	1,219
Profit for the period	–	–	–	–	–	–	–	93	93
Other comprehensive income/(expense)	–	–	–	50	–	(9)	(1)	(169)	(129)
Total comprehensive income/(expense)	–	–	–	50	–	(9)	(1)	(76)	(36)
Share capital issued	–	1	–	–	–	–	–	–	1
Purchase of own shares	–	–	–	–	(2)	–	–	–	(2)
Release of own shares	–	–	–	–	2	–	–	(1)	1
Credit in respect of share-based payments	–	–	–	–	–	–	–	2	2
Disposal of properties	–	–	–	(1)	–	–	–	1	–
At 27 September 2014	35	24	3	918	(4)	(196)	11	394	1,185

* Restated for the impact of IAS 19 (revised), see note 8.

Group cash flow statement

For the 52 weeks ended 27 September 2014

	Notes	2014 52 weeks £m	2013 52 weeks £m
Cash flow from operations	25	391	371
Cash flow from operating exceptional items		(5)	(2)
Interest paid		(137)	(128)
Interest received		2	2
Tax paid		(34)	(31)
Net cash from operating activities		217	212
Investing activities			
Acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited	29	(269)	–
Cash acquired on acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited	29	11	–
Purchases of property, plant and equipment		(156)	(126)
Purchases of intangible assets		(6)	(1)
Payment of lease premium		–	(1)
Proceeds from sale of property, plant and equipment		4	1
Transfers from other cash deposits		25	–
Net cash used in investing activities		(391)	(127)
Financing activities			
Issue of ordinary share capital		1	2
Purchase of own shares		(2)	(5)
Proceeds on release of own shares		1	2
Repayment of principal in respect of securitised debt	18	(58)	(55)
Drawings under liquidity facility	18	147	–
Net cash from/(used in) financing activities		89	(56)
Net (decrease)/increase in cash and cash equivalents		(85)	29
Cash and cash equivalents at the beginning of the period		340	311
Cash and cash equivalents at the end of the period	26	255	340

Cash and cash equivalents are defined in note 1.

The notes on pages 75 to 103 form an integral part of these financial statements.

Notes to the financial statements

For the 52 weeks ended 27 September 2014

1. Accounting policies

General information

Mitchells & Butlers plc is a company incorporated in the United Kingdom under the Companies Act.

The consolidated financial statements are presented in pounds sterling (rounded to the nearest million), being the functional currency of the primary economic environment in which the parent and most subsidiaries operate.

Basis of preparation

Mitchells & Butlers plc, along with its subsidiaries (together 'the Group'), is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with the Companies Act 2006.

The Group's accounting reference date is 30 September. The Group draws up its financial statements to the Saturday directly before or following the accounting reference date, as permitted by section 390 (3) of the Companies Act 2006. Both the periods ended 27 September 2014 and 28 September 2013 include 52 trading weeks.

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

The Group's accounting policies have been applied consistently.

Recent accounting developments

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations which have been adopted by the Group in these financial statements for the first time:

IAS 19 Employee Benefits (revised)

IAS 19 (revised) was adopted on 29 September 2013 and has been applied retrospectively in accordance with the transition provisions.

The new standard replaces the interest charge on defined benefit obligations and the expected return on plan assets with a single net interest cost that is calculated by applying the discount rate to the net pension deficit at the beginning of the period, inclusive of any minimum funding requirement. In addition the administration costs of the pension scheme, previously charged against the expected return on plan assets, are now charged within operating costs.

In addition to the changes noted above, following recent guidance from the Financial Reporting Council (FRC), the pensions finance charge is now recognised within underlying profit.

The impact of IAS 19 (revised) has been to reduce profit before tax by £8m for the 52 weeks ended 28 September 2013.

Further details of the restatement are shown in note 8. Basic and diluted earnings per share have been impacted and restated accordingly in note 12.

IFRS 13 Fair Value Measurement

IFRS 13 has been applied prospectively from the period beginning 29 September 2013. The standard provides a definition of fair value, sets out a framework for measuring fair value and requires disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The additional disclosures resulting from the introduction of IFRS 13 are provided in note 19.

New and revised standards on consolidation, joint arrangements, associates and disclosure

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures.

The Group has adopted all of the above listed standards and revisions in the current period. As there are no joint arrangements or associates within the Group, and all subsidiaries are under 100% ownership, there has been no impact on the consolidated financial statements.

IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 for the first time in the current period. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement. The additional disclosures resulting from the amendments to IFRS 7 are provided in note 19.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issues in May 2012)

The Annual Improvements to IFRSs 2009-2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a balance sheet as at the beginning of the preceding (third balance sheet) period and the related notes are required to be presented. The amendments specify that a third balance sheet is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements and the retrospective application, restatement or reclassification has a material effect on the information in the third balance sheet. The amendments specify that related notes are not required to accompany the third balance sheet. There is no impact from this amendment on the financial statements for the 52 weeks ended 27 September 2014, as the application of IAS 19 (revised) has had no impact on the balance sheet (see note 8).

The IASB and IFRIC have issued the following standards and interpretations which could impact the Group, with an effective date after the date of these financial statements. They have not been adopted early by the Group and are not expected to have any material impact:

IFRS 15 Revenue from Contracts with Customers – specifies how and when revenue is recognised, using a principles based five-step model. This will be effective for the Group in 2017/18 if adopted by the European Union.

IFRS 9 Financial Instruments – simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items. This will be effective for the Group in 2018/19, if adopted by the European Union.

IFRS 10 and 12 and IAS 27 (amendments) Investment Entities; IAS 36 (amendments) Recoverable Amount Disclosures for Non-Financial Assets; IAS 39 (amendments) Novation of Derivatives and Continuation of Hedge Accounting.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

1. Accounting policies continued

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods. Beyond this, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Mitchells & Butlers plc ('the Company') and entities controlled by the Company (its subsidiaries). The financial statements of the subsidiaries are prepared for the same financial reporting period as the Company, with the exception of Orchid Pubs & Dining Limited and Midco 1 Limited, which have an accounting reference date of 30 September and are only for a period of 39 weeks. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

The results of subsidiaries acquired during the period are included in the consolidated income statement from the date of acquisition.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Company overview, Strategic report and Business review on pages 2 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described within the review.

In addition, note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. As highlighted in note 18 to the financial statements, the Group's financing is based upon securitised debt.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given and liabilities incurred or assumed by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits (revised) respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after reassessment, the net of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the income statement as a bargain purchase.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the contingent consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the income statement.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Intangible assets

Goodwill

Goodwill arising in respect of acquisitions, being the excess of the purchase consideration over the fair value attributed to the separately identifiable assets, liabilities and contingent liabilities acquired, is stated at cost less any impairment in value.

Goodwill is not amortised, but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. The impairment review requires management to undertake certain judgements, including estimating the recoverable value of the business to which the goodwill relates, based on either the fair value less costs to sell or the value in use, in order to reach a conclusion as to whether the goodwill is recoverable. Value in use estimates are based on management's projection of the cash flows that the business will generate, after applying a suitable discount rate. Fair value less costs to sell is based on management's assessment of the net proceeds which could be generated through disposing of the business to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer software

Computer software and associated development costs, which are not an integral part of a related item of hardware, are capitalised as an intangible asset and amortised on a straight line basis over their useful life. The period of amortisation ranges between three and seven years with the majority being five years.

Property, plant and equipment

The Group revalues the majority of its freehold and long leasehold licensed properties to fair value, for accounting purposes. Short leasehold properties, unlicensed properties, fixtures and fittings are held at deemed cost less depreciation and impairment provisions. Non-current assets held for sale are held at their carrying value or their fair value less costs to sell where this is lower. The revaluation includes significant accounting judgements in respect of valuation multiples, which are determined via third party inspection of 20% of the sites such that all sites are individually valued approximately every five years; and assumptions made in determining fair maintainable trade. The Directors believe that their estimates, which are based on the current state of the UK property market, are appropriate. Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation adjustment which has been recognised in the income statement previously, in which case an amount equal to a maximum of that recognised in the income statement previously is recognised in income. Where the revaluation exercise gives rise to a deficit, this is reflected directly within the income statement, unless it is reversing a previous revaluation surplus against the same asset, in which case an amount equal to the maximum of the revaluation surplus is recognised within other comprehensive income (in the revaluation reserve). A separate valuation exercise was undertaken for the acquired Orchid sites as part of the fair value accounting exercise.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of items of property, plant and equipment. Freehold land is not depreciated. Freehold and long leasehold properties are depreciated so that the difference between their carrying value and estimated residual value is written off over 50 years from the date of acquisition. The residual value of freehold and long leasehold properties is reviewed at least annually. Leasehold properties are depreciated over the unexpired term of the lease where this is less than 50 years. The cost less residual value at the balance sheet date of plant, machinery, fixtures and fittings and equipment is spread by equal instalments over the estimated life of the relevant assets, namely:

Information technology equipment	3-7 years
Fixtures and fittings	3-20 years

Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sales proceeds and the carrying amount of the asset at the date of disposal.

The carrying values of property, plant and equipment which are not revalued to fair market value are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an outlet exceeds its recoverable amount. The recoverable amount is the higher of an outlet's fair value less costs to sell and value in use. In determining the value in use of an outlet, the Group is required to make various judgements regarding the outlet's projected cash flows and the appropriate discount rate to apply to these. These judgements include estimating the future growth rate and profitability of the outlet.

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

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and sub-leases are charged to the income statement on a straight line basis over the period of the lease. Lease incentives are recognised as a liability and a subsequent reduction in the rental expense over the lease term on a straight line basis.

Premiums paid on acquiring a new lease are spread on a straight line basis over the lease term. Such premiums are classified in the balance sheet as current or non-current prepayments, with the current portion being the element which relates to the following period.

The Group's policy is to account for land held under both long and short leasehold contracts as operating leases, since it has no expectation that title will pass on expiry of the lease contracts.

The Group is party to a small number of leases on properties which are no longer trading profitably. Whilst every effort is made to sublet these properties, it is not always possible. Where a lease is onerous to the Group a provision is established based on the Directors' best estimate of the present value of the cash flows up until the point it is judged the lease will no longer be onerous.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Work in progress is in respect of property development activities and includes the direct costs of the developments and associated professional fees.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

1. Accounting policies continued

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); derivative instruments in designated hedge accounting relationships; 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the agreed credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets and liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Trade and other receivables

Trade and other receivables are recognised and carried at original cost less an allowance for any uncollectable amounts.

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. For the purposes of the cash flow statement, cash and cash equivalents are net of bank overdrafts that are repayable on demand.

Trade and other payables

Trade and other payables are recognised at original cost.

Borrowings

Borrowings, which include the Group's secured loan notes, are stated initially at fair value (normally the amount of the proceeds) net of issue costs. Thereafter they are stated at amortised cost using an effective interest basis. Finance costs, which are the difference between the net proceeds and the total amount of payments to be made in respect of the instruments, are allocated over the term of the debt using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Derivative financial instruments and hedge accounting

The Group uses interest rate and currency swap contracts to hedge its exposure to changes in interest rates and exchange rates. These contracts are designated as cash flow hedges and hedge accounting is applied where the necessary criteria under IAS 39 Financial Instruments: Recognition and Measurement are met. Derivative financial instruments are not used for trading or speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Fair value is calculated as the present value of the estimated future cash flows.

Changes in the fair value of derivative instruments that are designated and effective as hedges of highly probable future cash flows are recognised in equity. The cumulative gain or loss is transferred from equity and recognised in the income statement at the same time as the hedged transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement immediately.

Movements in the fair value of derivative instruments which do not qualify for hedge accounting are recognised in the income statement immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or no longer qualifies for hedge accounting. At that point, the cumulative gain or loss in equity remains in equity and is recognised in accordance with the above policy when the transaction affects profit or loss. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all liabilities. Equity instruments issued by the Company are recorded at the fair value of the proceeds received, net of direct issue costs.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities are measured at cost using the exchange rate on the date of the initial transaction.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at the relevant rates of exchange ruling at the balance sheet date. The results of overseas operations are translated into sterling at average rates of exchange for the period. Exchange differences arising from the translation of the results and the retranslation of opening net assets denominated in foreign currencies are taken directly to the Group's translation reserve. When an overseas operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Revenue

Revenue is the fair value of goods and services sold to third parties as part of the Group's trading activities, after deducting sales-based taxes, coupons and staff discounts.

The majority of revenue comprises food and beverages sold in the Group's businesses. This revenue is recognised at the point of sale to the customer. Revenue arising from the sale of development property is recognised on legal completion of the sale.

Operating profit

Operating profit is stated after charging operating exceptional costs but before investment income and finance costs.

Supplier incentives and rebates are recognised within operating costs as they are earned. The accrued value at the reporting date is included in other receivables.

Tax

The income tax expense represents both the income tax payable, based on profits for the period, and deferred tax and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are not taxable. Income tax is recognised in the income statement except when it relates to items charged or credited directly to equity, in which case the income tax is also charged or credited to equity.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount of their tax bases. Deferred tax is not recognised in respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Assessing the outcome of uncertain tax positions requires judgements to be made in relation to the likely outcome of negotiations with and enquiries from tax authorities and, in some cases, an assessment of the likely outcome of other case law.

Adjusted profit

In addition to presenting information on an IFRS basis, the Group also presents adjusted profit and earnings per share information that excludes exceptional items, including the impact of related tax. This adjusted information is disclosed to allow a better understanding of the underlying trading performance of the Group and is consistent with the Group's internal management reporting. Exceptional items are those which are separately identified by virtue of their size or incidence and include movements in the valuation of the property portfolio as a result of the annual revaluation exercise, impairment review of short-leasehold and unlicensed properties and restructuring costs (see note 9).

Pension obligations

The Group has both defined benefit and defined contribution pension arrangements.

The total pension liability recognised in the balance sheet in respect of the Group's defined benefit arrangements is the greater of the minimum funding requirements, calculated as the present value of the agreed schedule of contributions, and the actuarial calculated liability. The actuarial liability is the present value of the defined benefit obligation, less the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit method as determined annually by qualified actuaries. This is based on a number of financial assumptions and estimates, the determination of which may be significant to the balance sheet valuation in the event that this reflects a greater deficit than that suggested by the schedule of minimum contributions. These are set out and discussed in note 8 and include judgements in relation to long-term interest rates, inflation, investment returns and longevity of current and future pensioners.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

1. Accounting policies continued

There is no current service cost as all defined benefit schemes are closed to future accrual. The net pension finance charge, calculated by applying the discount rate to the pension deficit or surplus at the beginning of the period, is shown within finance income or expense. The administration costs of the scheme are recognised within operating costs in the income statement.

Remeasurement comprising actuarial gains and losses, the effect of minimum funding requirements, and the return on scheme assets are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the income statement in the period in which the curtailment or settlement occurs.

For the defined contribution arrangements, the charge against profit is equal to the amount of contributions payable for that period.

Share-based compensation

The Group operates a number of equity-settled share-based compensation plans, whereby, subject to meeting any relevant conditions, employees are awarded shares or rights over shares. The cost of such awards is measured at fair value, excluding the effect of non market-based vesting conditions, on the date of grant. The expense is recognised on a straight line basis over the vesting period and is adjusted for the estimated effect of non market-based vesting conditions and forfeitures, on the number of shares that will eventually vest due to employees leaving the employment of the Group. Fair values are calculated using either the Black-Scholes, Binomial or Monte Carlo simulation models depending on the conditions attached to the particular share scheme.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in an accelerated recognition of the expense that would have arisen over the remainder of the original vesting period.

Own shares

The cost of own shares held in employee share trusts and in treasury are deducted from shareholders' equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, the fair value of any consideration received is also included in shareholders' equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured using the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Dividends

Dividends proposed by the Board but unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim Dividends are recognised when paid. No dividends were proposed or paid in either the current or the prior period.

Exchange rates

The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the period of £1 = €1.22 (2013 £1 = €1.19), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US dollar denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.28 (2013 £1 = €1.19) and £1 = \$1.62 (2013 £1 = \$1.61) respectively.

2. Critical accounting judgements and estimates

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

Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's critical accounting judgements and estimates are in respect of property, plant and equipment; asset impairments; exceptional items and other adjustments; pensions; and taxation. Details of these judgements and estimates are described in the relevant accounting policy and detailed notes to the financial statements as set out below:

- property, plant and equipment – assumptions are made in the valuation of properties in relation to fair maintainable trading levels, the use of an appropriate multiple and the property market. Assumptions are also made regarding assets' useful lives and residual value in relation to plant and equipment (see accounting policy on property, plant and equipment and note 14);
- asset impairments – assumptions are made in relation to the value in use calculation, including projected cash flows, future growth rates and the appropriate discount rate to apply to these (see accounting policies on property, plant and equipment and goodwill);
- exceptional items – determination of items which are separately identified by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group (see accounting policy on adjusted profit and note 9);
- taxation – assessing the outcome of uncertain tax positions requires judgements to be made in relation to the likely outcome of negotiations with and enquiries from tax authorities and in some cases an assessment of the likely outcome of other case law (see accounting policy on tax and notes 11, 17 and 20);
- pensions – actuarial assumptions in respect of the defined benefit pension scheme liability include judgements in relation to the discount rate and the longevity of current and future pensioners (see accounting policy on pension obligations and note 8); and
- acquisition accounting – assumptions are made in relation to the fair valuation of property, plant and equipment, intangible assets and current assets and liabilities at the acquisition date. In relation to property, plant and equipment these assumptions include the assessment of fair maintainable trading levels and property multiples.

3. Segmental analysis

IFRS 8 Operating Segments requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker (CODM). The CODM is regarded as the Chief Executive together with other Board members. The CODM uses profit before interest and exceptional items (operating profit pre-exceptionals) as the key measure of the segment results. Group assets are reviewed as part of this process but are not presented on a segment basis.

The retail operating business operates all of the Group's retail operating units and generates all of its external revenue. The property business holds the Group's freehold and long leasehold property portfolio and derives all of its income from the internal rent levied against the Group's retail operating units. The internal rent charge is eliminated at the total Group level.

	Retail operating business		Property business		Total	
	2014 52 weeks	2013 52 weeks restated*	2014 52 weeks	2013 52 weeks	2014 52 weeks	2013 52 weeks restated*
	£m	£m	£m	£m	£m	£m
Revenue ^a	1,970	1,895	–	–	1,970	1,895
EBITDA pre-exceptionals	221	228	201 ^b	192 ^b	422	420
Operating profit pre-exceptionals	127	131	186	179	313	310
Exceptional items (note 9)					(49)	(29)
Operating profit					264	281
Net finance costs					(141)	(139)
Profit before tax					123	142
Tax expense					(30)	(14)
Profit for the period					93	128

* Restated for the impact of IAS 19 (revised), see note 8.

a. Revenue includes other income of £7m (2013 £7m) in respect of franchise operations.

b. The EBITDA pre-exceptionals of the property business relates entirely to rental income received from the retail operating business.

Geographical segments

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

	UK		Germany		Total	
	2014 52 weeks	2013 52 weeks	2014 52 weeks	2013 52 weeks	2014 52 weeks	2013 52 weeks
	£m	£m	£m	£m	£m	£m
Revenue – sales to third parties	1,906	1,837	64	58	1,970	1,895
Segment non-current assets ^a	4,254	3,895	7	7	4,261	3,902

a. Includes balances relating to intangibles, property, plant and equipment and non-current lease premiums.

4. Operating costs

	2014 52 weeks	2013 52 weeks restated*
	£m	£m
Raw materials and consumables recognised as an expense	542	530
Changes in inventory of finished goods and work in progress	(1)	2
Employee costs (note 6)	550	525
Hire of plant and machinery	21	18
Property operating lease costs	53	49
Other costs	395	351
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	1,560	1,475
Depreciation of property, plant and equipment (note 14)	108	109
Amortisation of intangible assets (note 13)	1	1
Net movement in the valuation of the property portfolio (note 9)	37	29
Depreciation, amortisation and movements in the valuation of the property portfolio	146	139
Total operating costs	1,706	1,614

* Restated for the impact of IAS 19 (revised), see note 8.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

5. Auditor's remuneration

	2014 52 weeks £m	2013 52 weeks £m
Fees payable to the Group's auditor for the:		
– audit of the consolidated Group financial statements	0.1	0.1
– audit of the Company's subsidiaries financial statements	0.3	0.2
Total audit fees	0.4	0.3
Other fees to auditors:		
– other services	0.2	0.1
Total non-audit fees	0.2	0.1

Auditor's remuneration of £0.3m (2013 £0.3m) was paid in the UK and £0.1m (2013 £0.1m) was paid in Germany.

6. Employees and Directors

	2014 52 weeks £m	2013 52 weeks £m
Wages and salaries	505	483
Share-based payments (note 7)	2	2
Total wages and salaries	507	485
Social security costs	36	35
Pensions (note 8)	7	5
Total employee costs	550	525

The average number of employees including part-time employees was 40,561 retail and 953 support (2013 40,459 retail and 866 support).

Information regarding key management personnel is included in note 30. Detailed information regarding Directors' emoluments, pensions, long-term incentive scheme entitlements and their interests in share options is given in the Report on Directors' remuneration on pages 50 to 66.

7. Share-based payments

The net charge recognised for share-based payments in the period was £2m (2013 £2m).

The Group had five share schemes (2013 six), all of which are equity-settled, in operation during the period.

The vesting of all awards or options is generally dependent upon participants remaining in the employment of a participating company during the vesting period.

Details of schemes in operation during the period are shown below:

Sharesave Plan

The Sharesave Plan is an HMRC approved savings scheme, whereby the proceeds from a savings contract, of either three or five years duration, may be used to purchase shares under option providing the employee remains in employment until the contract matures. Options are typically granted in June or July of each year, at a discount of up to 20% of the market value of the shares at the date of invitation. There are no performance conditions. The scheme is open to all UK employees provided that they have at least 12 months' service at the date of invitation. The vesting period is 39 months or 63 months and options may be exercised up to six months after the vesting date.

Share Incentive Plan

The Share Incentive Plan is an HMRC approved savings scheme open to all UK employees with at least 12 months' service at the date of invitation. The plan awards free shares to participating employees up to a maximum award of £3,600 per employee per year, with individual value being pro-rated on salary. There are no performance conditions other than remaining in employment for two years from the date of award; hence there is a vesting period of two years from the award date. Shares are generally held in the Share Incentive Plan Trust for at least three years and are capable of being released to participants at any time thereafter.

Short Term Deferred Incentive Plan

Under the Short Term Deferred Incentive Plan the annual bonuses of the Executive Directors and other eligible employees may be deferred into Mitchells & Butlers plc shares. At the discretion of the Remuneration Committee, at least 50% of the annual bonus for the Executive Directors and any excess over 75% of base salary earned in the year for the other eligible employees, will normally be deferred and released in equal tranches 12 and 24 months after deferral. Participants may receive Dividend Accrued Shares on vesting equal to the value of the ordinary dividends that would have been paid on the vested shares during the performance period. If a participant leaves the employment of the Group before the 'Release Dates', then in certain circumstances they may lose entitlement to Bonus Shares and Dividend Accrued Shares.

All deferrals of bonuses into shares to date have been entirely at the discretion of the Remuneration Committee.

Performance Restricted Share Plan

The Performance Restricted Share Plan (PRSP) allows Executive Directors and other eligible employees to receive nominal cost options, subject to the satisfaction of performance conditions, set by the Remuneration Committee, which are normally measured over a three year period.

Vesting is conditional upon the achievement of a Total Shareholder Return (TSR) performance condition and an adjusted earnings per share growth performance condition.

In respect of the TSR performance condition, Monte Carlo simulations incorporate the market condition in the measurement of the fair value, based on an index of competitors. Participants will be entitled to receive Dividend Accrued Shares on vesting equal to the value of the ordinary dividends that would have been paid on the vested shares during the performance period.

Executive Share Option Plan

The grant of options under the Executive Share Option Plan was discontinued following shareholder approval of changes to Executive Director remuneration in 2006.

The vesting period for these options is three years from grant, followed by a seven year exercise period. The latest possible exercise date for any of these options outstanding at 27 September 2014, is 24 May 2015.

The Group has used separate option pricing models and assumptions for each plan. The following tables set out weighted average information about how the fair value of each option grant was calculated:

	Performance Restricted Share Plan	Sharesave Plan
2014		
Valuation model	Monte Carlo and Binomial	Black-Scholes
Weighted average share price	417.5p	398.0p
Exercise price ^a	—	328.0p
Expected dividend yield ^b	—	—
Risk-free interest rate	1.87%	1.70%
Volatility ^c	3.4%	28.3%
Expected life (years) ^d	3.0	4.12
2013		
Valuation model	Monte Carlo and Binomial	Black-Scholes
Weighted average share price	349.7p	370.9p
Exercise price ^a	—	309.0p
Expected dividend yield ^b	—	—
Risk-free interest rate	0.97%	1.03%
Volatility ^c	3.4%	31.4%
Expected life (years) ^d	2.60	3.94

a. The exercise price for the Performance Restricted Share Plan is £1 per participating employee.

b. The expected dividend yield for the Sharesave Plan has used historical dividend information. For details on the Group's current dividend policy refer to the Financial review on page 33. The expected dividend yield for the Performance Restricted Share Plan options is zero as participants are entitled to Dividend Accrued Shares to the value of ordinary dividends paid during the vesting period.

c. The expected volatility is determined by calculating the historical volatility of the Company's share price commensurate with the expected term of the options and share awards.

d. The expected life of the options represents the average length of time between grant date and exercise date.

The fair value of awards under the Short Term Deferred Incentive Plan and the Share Incentive Plan are equal to the share price on the date of award as there is no price to be paid and employees are entitled to Dividend Accrued Shares. The assumptions set out above are therefore not relevant to these schemes.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

7. Share-based payments continued

Movements in the awards and options outstanding under these schemes for the periods ended 27 September 2014 and 28 September 2013 are as follows:

	Short Term Deferred Incentive Plan	Performance Restricted Share Plan	Share Incentive Plan
	Number of shares thousands	Number of shares thousands	Number of shares thousands
Outstanding at 29 September 2012	25	2,265	1,553
Granted	–	1,598	265
Exercised	(18)	(563)	(177)
Forfeited	–	(1,533)	(69)
Expired	–	(8)	–
Outstanding at 28 September 2013	7	1,759	1,572
Granted	80	1,336	261
Exercised	(7)	(94)	(208)
Forfeited	–	(252)	(72)
Expired	–	–	–
Outstanding at 27 September 2014	80	2,749	1,553

Options exercisable

At 27 September 2014	–	105	781
At 28 September 2013	–	199	739

Fair value of options granted during the period (pence)^a

At 27 September 2014	409.3	226.3	398.0
At 28 September 2013	–	213.9	370.9

Weighted average remaining contract life (years)

At 27 September 2014	0.7	3.5	–^b
At 28 September 2013	0.2	3.8	– ^b

a. Fair value is based on the date of grant.

b. SIP shares are capable of remaining within the SIP trust indefinitely while participants continue to be employed by the Group.

	Executive Share Option Plan		Sharesave Plan	
	Number of shares thousands	Weighted average option price pence	Number of shares thousands	Weighted average option price pence
Outstanding at 29 September 2012	1,510	285.3	4,099	214.8
Granted	–	–	759	309.0
Exercised	(694)	261.3	(903)	196.5
Forfeited	–	–	(409) ^a	208.8
Expired	(84)	326.1	(108)	336.5
Outstanding at 28 September 2013	732	303.3	3,438	237.3
Granted	–	–	1,348	328.0
Exercised	(386)	283.0	(440)	253.8
Forfeited	–	–	(322) ^a	253.3
Expired	–	–	(53)	250.2
Outstanding at 27 September 2014	346	326.1	3,971	264.8

Options exercisable

At 27 September 2014	346	326.1	–	–
At 28 September 2013	732	303.3	–	–

Fair value of options granted during the period (pence)^b

At 27 September 2014	–	134.1
At 28 September 2013	–	124.6

Range of prices (pence) of options outstanding

At 27 September 2014	326.1	182.0–328.0
At 28 September 2013	252.2–326.1	182.0–309.0

a. The number of forfeited shares in the period includes 168,442 (2013 219,464) cancellations.

b. Weighted average fair value based on the date of grant has been shown for the Sharesave Plan.

The weighted average share price during the period was 422.5p (2013 355.3p).

Summarised information about options outstanding at 27 September 2014 under the share option schemes is as follows:

Range of exercise prices (pence)	Options outstanding			Options exercisable		
	Number of shares outstanding thousands	Weighted average remaining contract life years	Weighted average option price pence	Number of shares exercisable thousands	Weighted average remaining contract life years	Weighted average option price pence
Performance Restricted Share Plan						
Negligible ^a	2,749	3.5	— ^a	105	0.2	— ^a
Executive Share Option Plan						
326.1	346	0.7	326.1	346	0.7	326.1
Sharesave Plan						
196.0	370	0.5	196.0	—	—	—
257.0	138	1.5	257.0	—	—	—
253.0	523	1.1	253.0	—	—	—
182.0	966	1.9	182.0	—	—	—
309.0	630	2.9	309.0	—	—	—
328.0	1,344	4.1	328.0	—	—	—
	3,971	2.6	264.8	—	—	—

a. The exercise price relating to the Performance Restricted Share Plan is £1 per participating employee per exercise.

8. Pensions

Background

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. The defined benefit liability relates to these funded plans, together with an unfunded unapproved pension arrangement (the Executive Top-Up Scheme, or MABETUS) in respect of certain MABEPP members. The assets of the plans are held in self-administered trust funds separate from the Company's assets.

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

Restatement in relation to IAS 19 (revised)

IAS 19 (revised) was adopted on 29 September 2013 and has been applied retrospectively in accordance with the transition provisions.

The new standard replaces the interest charge on defined benefit obligations and the expected return on plan assets with a single net interest cost that is calculated by applying the discount rate to the net pension deficit at the beginning of the period, inclusive of any minimum funding requirement. In addition the administration costs of the pension scheme, previously charged against the expected return on plan assets, are now charged within operating costs.

In addition to the changes noted above, following recent guidance from the Financial Reporting Council (FRC), the pensions finance charge is now recognised within underlying profit.

The Group has restated the comparative amounts in the income statement and statement of comprehensive income for the 52 weeks ended 28 September 2013. There is no impact on the balance sheet or cash flow statement from the changes introduced by IAS 19 (revised).

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

8. Pensions continued

The tables below provide a summary of the amounts previously reported, the adjustments made and the restated amounts in relation to IAS 19 (revised).

52 weeks ended 28 September 2013

	Previously reported £m	Impact of IAS 19 (revised) £m	Restated £m
Group income statement			
Operating profit	283	(2)	281
Finance costs:			
Finance costs and revenue	(128)	–	(128)
Net pensions finance charge	(5)	(6)	(11)
Profit before tax	150	(8)	142
Tax expense	(15)	1	(14)
Profit for the period	135	(7)	128
Group statement of comprehensive income			
Profit for the period	135	(7)	128
Remeasurement of pension liability	(8)	8	–
Other items of comprehensive income	161	–	161
Tax relating to items of other comprehensive income	(13)	(1)	(14)
Other comprehensive income after tax	140	7	147
Total comprehensive income	275	–	275
Group balance sheet			
Pension liabilities	(248)	–	(248)
Associated deferred tax asset	50	–	50

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 2013 and updated by the schemes' independent qualified actuaries to 27 September 2014. Scheme assets are stated at market value at 27 September 2014 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 and mortality assumptions used at the balance sheet date have been updated to reflect changes in market conditions in the period and more up to date mortality assumptions, in line with those used in the 2013 actuarial valuation as agreed on 21 May 2014.

	2014	2013
Pensions increases	3.1%	3.3%
Discount rate	3.8%	4.4%
Inflation rate	3.2%	3.4%

	2014		2013	
	Main plan years	Executive plan years	Main plan years	Executive plan years
Male member aged 65 (current life expectancy)	21.7	25.9	20.3	24.6
Male member aged 45 (life expectancy at 65)	24.3	27.6	23.0	26.4
Female member aged 65 (current life expectancy)	24.1	27.1	23.1	26.0
Female member aged 45 (life expectancy at 65)	26.9	29.1	25.8	28.0

Minimum funding requirements

The results of the 2013 actuarial valuation showed a funding deficit of £572m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 (revised) and on 21 May 2014 the Company formally agreed a new 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension scheme liabilities. The Group has agreed to increase contributions from £40m to £45m per annum, for three years effective from 1 April 2013. From 1 April 2016 contributions then increase each year by the rate of RPI (subject to a minimum increase of 0% and a maximum increase of 5%) for the following seven years. The Group has also agreed to make a further minimum underwritten payment of £40m on terms to be agreed with the Trustees by 30 September 2015. Under IFRIC 14, an additional liability is recognised, such that the overall pension liability at the period end reflects the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actuarial deficit.

Sensitivity to changes in discount rate

The discount rate applied to the pension schemes' liabilities is a significant driver of the net balance sheet valuation of the schemes and is subject to a high degree of judgement and complexity. It is estimated that a 0.1% increase or decrease in the discount rate used would, in isolation, reduce or increase the actuarial deficit by approximately £39m (2013 £34m). A similar increase or decrease in the discount rate used would, in isolation, reduce or increase the total pension liability by approximately £2m (2013 £1m), with no material impact on the income statement charge.

Amounts recognised in respect of defined benefit schemes

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

	2014 52 weeks £m	2013 52 weeks restated* £m
Group income statement		
Operating profit:		
Employer contributions (defined contribution plans)	(7)	(5)
Administrative costs (defined benefit plans)	(2)	(2)
Charge to operating profit	(9)	(7)
Finance costs:		
Net pensions finance charge on actuarial deficit	(4)	(3)
Additional pensions finance charge due to minimum funding	(6)	(8)
Net finance charge in respect of pensions	(10)	(11)
Total charge	(19)	(18)

* Restated for the impact of IAS 19 (revised).

	2014 52 weeks £m	2013 52 weeks restated* £m
Group statement of comprehensive income		
Return on scheme assets and effects of changes in assumptions	(119)	(65)
Movement in pension liability recognised due to minimum funding	(95)	65
Remeasurement of pension liability	(214)	–

* Restated for the impact of IAS 19 (revised).

	2014 £m	2013 £m
Group balance sheet		
Fair value of scheme assets	1,865	1,732
Present value of scheme liabilities	(2,058)	(1,849)
Actuarial deficit in the schemes	(193)	(117)
Additional liability recognised due to minimum funding	(232)	(131)
Total pension liability	(425)	(248)
Associated deferred tax asset	85	50

The movement in the fair value of the scheme assets in the period is as follows:

	Scheme assets	
	2014 £m	2013 £m
Fair value of scheme assets at beginning of period	1,732	1,610
Interest income	76	69
Remeasurement gain:		
– Return on scheme assets (excluding amounts included in net finance charge)	80	78
Employer contributions	49	41
Benefits paid	(70)	(64)
Administration costs	(2)	(2)
At end of period	1,865	1,732

Changes in the present value of defined benefit obligations are as follows:

	Defined benefit obligation	
	2014 £m	2013 £m
Present value of defined benefit obligation at beginning of period	(1,849)	(1,698)
Interest cost	(80)	(72)
Benefits paid	70	64
Remeasurement losses:		
– Effect of changes in demographic assumptions	(45)	(122)
– Effect of changes in financial assumptions	(154)	(21)
At end of period ^a	(2,058)	(1,849)

a. The defined benefit obligation comprises £24m (2013 £22m) relating to the MABETUS unfunded plan and £2,034m (2013 £1,827m) relating to the funded plans.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

8. Pensions continued

The major categories and fair values of scheme assets of the MABPP and MABEPP schemes at the end of the reporting period are as follows:

	2014 £m	2013 £m
Cash and equivalents	11	11
Equity instruments	588	545
Debt instruments:		
– Bonds	1,215	1,120
– Emerging market debt	45	45
– Absolute return bond funds	194	188
– Gilt repurchase transactions	(189)	(190)
Property	1	5
Gold	2	3
Forward foreign exchange contracts	(2)	5
Fair value of assets	1,865	1,732

The actual investment return achieved on the scheme assets over the period was 9.5% (2013 9.2%), which represented a gain of £154m (2013 £145m).

Virtually all equity instruments, bonds, emerging market debt and gold have quoted prices in active markets. Absolute return bonds funds, gilt repurchase transactions and forward foreign exchange contracts are classified as Level 2 instruments and property is classified as a Level 3 instrument.

In the 52 weeks ended 27 September 2014 the Group paid £6m (2013 £5m) in respect of the defined contribution arrangements, with an additional £1m (2013 £nil) outstanding as at the period end.

At 27 September 2014 the MABPP owed £2m (2013 £1m) to the Group in respect of expenses paid on its behalf. This amount is included in other receivables in note 16.

9. Exceptional items

	Notes	2014 52 weeks £m	2013 52 weeks restated* £m
Operating exceptional items			
Movement in the valuation of the property portfolio:			
– Impairment arising from the revaluation		(25)	(12)
– Other impairment	a	(11)	(17)
– Impairment of lease premium		(1)	–
Net movement in the valuation of the property portfolio		(37)	(29)
Other exceptional items:			
– Acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited	b	(12)	–
Total exceptional items before tax		(49)	(29)
Tax credit relating to above items		8	7
Tax credit in respect of change in tax legislation (note 11)	c	–	18
Total tax credit		8	25
Total exceptional items after tax		(41)	(4)

* Restated for the impact of IAS 19 (revised) and presentation of pension finance charge.

a. Impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount.

b. Relates to integration costs and legal and professional fees incurred in the acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited on 15 June 2014.

c. The prior year deferred tax credit relates to the enactment of legislation on 17 July 2013 which lowered the UK standard rate of corporation tax from 23% to 20% with effect from 1 April 2015.

10. Finance costs and revenue

	2014 52 weeks £m	2013 52 weeks restated* £m
Finance costs		
Securitised and other debt – loans and receivables	(132)	(130)
Finance revenue		
Interest receivable – cash	1	2
Net pensions finance charge (note 8)	(10)	(11)

* Restated for the impact of IAS 19 (revised), see note 8.

11. Taxation

	2014 52 weeks £m	2013 52 weeks restated* £m
Tax charged in the income statement		
Current tax:		
– UK corporation tax	(29)	(34)
– Amounts (under)/over provided in previous years	(9)	14
Total current tax charge	(38)	(20)
Deferred tax:		
– Origination and reversal of temporary differences	1	(1)
– Adjustments in respect of previous years	7	(11)
– Change in tax rate	–	18
Total deferred tax credit (note 20)	8	6
Total tax charged in the income statement	(30)	(14)

* Restated for the impact of IAS 19 (revised), see note 8.

	2014 52 weeks £m	2013 52 weeks restated* £m
Tax relating to items recognised in other comprehensive income		
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
– Unrealised gains due to revaluations – revaluation reserve	(12)	16
– Unrealised gains due to revaluations – retained earnings	2	11
– Remeasurement of pension liability	43	(11)
	33	16
Items that may be reclassified subsequently to profit or loss:		
– Cash flow hedges:		
– (Losses)/gains arising during the period	12	(11)
– Reclassification adjustments for losses included in profit or loss	(10)	(19)
	2	(30)
Total tax credit/(charge) recognised in other comprehensive income	35	(14)

* Restated for the impact of IAS 19 (revised), see note 8.

Reconciliation of the total tax charge

The tax charge in the income statement for the period is higher (2013 lower) than the standard rate of corporation tax in the UK. The differences are reconciled below:

	2014 52 weeks £m	2013 52 weeks restated* £m
Profit before tax	123	142
Accounting profit multiplied by the UK standard rate of corporation tax of 22.0% (2013 23.5%)	27	33
Expenses not deductible	3	3
Income not taxable	(2)	(1)
Adjustments in respect of previous years	2	(3)
Tax credit in respect of change in tax rate	–	(18)
Total tax charge reported in the income statement	30	14

* Restated for the impact of IAS 19 (revised), see note 8.

Factors which may affect future tax charges

The Finance Act 2013 was enacted on 17 July 2013 and reduced the main rate of corporation tax from 23% to 20% from 1 April 2015. The effect of this change has been reflected on the deferred tax balance shown in note 20.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

12. Earnings per share

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

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

Adjusted earnings per ordinary share amounts are presented before exceptional items (see note 9) in order to allow a better understanding of the underlying trading performance of the Group.

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
52 weeks ended 27 September 2014:			
Profit/EPS	93	22.6p	22.5p
Exceptional items, net of tax	41	10.0p	9.9p
Adjusted profit/EPS	134	32.6p	32.4p
52 weeks ended 28 September 2013 (restated*):			
Profit/EPS	128	31.2p	31.0p
Exceptional items, net of tax	4	1.0p	1.0p
Adjusted profit/EPS	132	32.2p	32.0p

* Restated for the impact of IAS 19 (revised) and presentation of pensions finance charge, see below and note 8.

The weighted average number of ordinary shares used in the calculations above are as follows:

	2014 52 weeks m	2013 52 weeks m
For basic EPS calculations	411	410
Effect of dilutive potential ordinary shares:		
– Contingently issuable shares	1	–
– Other share options	1	2
For diluted EPS calculations	413	412

At 27 September 2014, 816,685 (2013 521,591) other share options were outstanding that could potentially dilute basic EPS in the future but were not included in the calculation of diluted EPS as they are anti-dilutive for the periods presented.

Impact of change in accounting policy

IAS 19 (revised) was adopted on 29 September 2013 and has been applied retrospectively, as described in note 1. The results for the 52 weeks ended 28 September 2013 have been restated to reflect these changes. The impact of this restatement on the amounts reported for earnings per share is as follows:

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
52 weeks ended 28 September 2013:			
Profit/EPS (previously reported)	135	32.9p	32.7p
Impact of IAS 19 (revised)	(7)	(1.7)p	(1.6)p
Profit/EPS (restated)	128	31.2p	31.1p
Adjusted profit/EPS (previously reported)	143	34.9p	34.7p
Impact of IAS 19 (revised)	(2)	(0.5)p	(0.5)p
Change in presentation of pensions finance charge, net of tax	(9)	(2.2)p	(2.2)p
Adjusted profit/EPS (restated)	132	32.2p	32.0p

13. Goodwill and other intangible assets

	Goodwill £m	Computer software £m	Total £m
Cost			
At 29 September 2012	7	4	11
Additions	–	1	1
Disposals ^a	–	(1)	(1)
At 28 September 2013	7	4	11
Additions	–	6	6
Acquired through business combinations (note 29)	9	–	9
Disposals ^a	–	(2)	(2)
At 27 September 2014	16	8	24
Accumulated amortisation and impairment			
At 29 September 2012	5	1	6
Provided during the period	–	1	1
Disposals ^a	–	(1)	(1)
At 28 September 2013	5	1	6
Provided during the period	–	1	1
Disposals ^a	–	(1)	(1)
At 27 September 2014	5	1	6
Net book value			
At 27 September 2014	11	7	18
At 28 September 2013	2	3	5
At 29 September 2012	2	3	5

a. Includes assets which are fully depreciated and have been removed from the fixed asset register.

There are no intangible assets with indefinite useful lives. All amortisation charges have been expensed through operating costs.

The period of amortisation for computer software ranges between three and seven years with the majority being five years.

Goodwill has been tested for impairment on a site-by-site basis using forecast cash flows, discounted by applying a pre-tax discount rate of 8% (2013 10%). For the purposes of the calculation of the recoverable amount, the cash flow projections beyond the two year period include 2% (2013 2%) growth per annum.

Given the proximity of the Orchid acquisition to the period end, associated goodwill recognised during the period is excluded from the current period impairment testing and will be tested for the first time during the 52 week period ended 26 September 2015.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

14. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation			
At 29 September 2012	3,468	953	4,421
Exchange differences	1	1	2
Additions	45	81	126
Disposals ^a	(18)	(58)	(76)
Revaluation ^b	39	(8)	31
At 28 September 2013	3,535	969	4,504
Exchange differences	(1)	(1)	(2)
Acquired through business combinations (note 29)	270	9	279
Additions	67	90	157
Disposals ^a	(39)	(107)	(146)
Revaluation ^b	27	(1)	26
At 27 September 2014	3,859	959	4,818
Depreciation			
At 29 September 2012	124	449	573
Exchange differences	1	1	2
Provided during the period	22	87	109
Disposals ^a	(18)	(57)	(75)
At 28 September 2013	129	480	609
Exchange differences	(1)	(1)	(2)
Provided during the period	18	90	108
Disposals ^a	(34)	(105)	(139)
At 27 September 2014	112	464	576
Net book value			
At 27 September 2014	3,747	495	4,242
At 28 September 2013	3,406	489	3,895
At 29 September 2012	3,344	504	3,848

a. Includes assets which are fully depreciated and have been removed from the fixed asset register.

b. The impact of the property revaluation is a net book value increase of £37m (2013 increase of £48m) comprising an impairment of £25m (2013 £12m) net of a revaluation reserve credit of £62m (2013 £60m) shown in the Group statement of comprehensive income. In addition, a review of the short leasehold and unlicensed property estate has resulted in an impairment of £11m (2013 £17m) (see note 9).

Certain assets with a net book value of £39m (2013 £37m) owned by the Group are subject to a fixed charge in respect of liabilities held by the Mitchells & Butlers Executive Top-Up Scheme (MABETUS).

Cost at 27 September 2014 includes £4m of assets in the course of construction.

Revaluation/impairment

A policy of valuing the majority of the Group's freehold and long leasehold licensed properties, for accounting purposes, was adopted on 29 September 2007. Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment.

The freehold and long leasehold properties have been valued at market value, as at 27 September 2014 using information provided by CBRE, independent chartered surveyors. The valuation was carried out in accordance with the provisions of RICS Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity. The market value has been determined having regard to factors such as current and future projected income levels, taking account of location, quality of the pub restaurant and recent market transactions in the sector. Changes in these assumptions such as the valuation basis applied in comparable market transactions, or the income level generated by a pub could materially impact the valuation of the freehold and long leasehold properties. It is estimated that a £1 change in the EBITDA of the freehold and long leasehold properties would generate approximately an £8 movement in their valuation.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or income statement as appropriate. The impact of the revaluations/impairments described above is as follows:

	2014 52 weeks £m	2013 52 weeks £m
Income statement		
Revaluation loss charged as an impairment	(75)	(63)
Reversal of past impairments	50	51
Total impairment arising from the revaluation	(25)	(12)
Impairment of short leasehold and unlicensed properties	(11)	(17)
	(36)	(29)
Revaluation reserve		
Unrealised revaluation surplus	169	160
Reversal of past revaluation surplus	(107)	(100)
	62	60
Net increase in property, plant and equipment	26	31

The valuation techniques are consistent with the principles in IFRS 13 and use significant 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 carrying values of property, plant and equipment which are not revalued to fair market value are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable.

The key inputs to valuation on property and equipment are as follows:

	EBITDA multiple range		Number of pubs	Net book value ^b at 27 September 2014 £m
	Low	High ^a		
Freehold properties	7.0	12.0	1,247	3,420
Long leasehold properties	5.0	10.0	100	304
Total revalued properties	5.0	12.0	1,347	3,724
Short leasehold properties				174
Orchid properties acquired ^c				279
Unallocated assets ^d				65
Total property, plant and equipment				4,242

a. In specific circumstances the value of property derived purely from an income approach misrepresents the underlying property value. In these cases a spot value has been applied to the property rather than a value derived from a multiple applied to the EBITDA.

b. The carrying value of freehold and long leasehold properties based on their historical cost (or deemed cost at transition to IFRS) is £2,727m and £208m respectively (2013 £2,458m and £201m).

c. A separate valuation exercise was undertaken for the acquired Orchid sites as part of the fair value accounting exercise (see note 29).

d. Unallocated assets primarily includes freehold properties excluded from revaluation due to recent investment and unlicensed properties.

Included within property, plant and equipment are assets with a net book value of £3,597m (2013 £3,569m), which are pledged as security for the securitisation debt and over which there are certain restrictions on title.

In addition to the above, premiums paid on acquiring a new lease are classified separately in the balance sheet. At 27 September 2014 an amount of £1m (2013 £2m) was included in the balance sheet.

15. Inventories

	2014 £m	2013 £m
Work in progress ^a	3	3
Goods held for resale	24	21
Total inventories	27	24

a. Work in progress is in respect of property developments.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

16. Trade and other receivables

	2014 £m	2013 £m
Trade receivables	3	2
Other receivables	21	21
Prepayments	27	36
Other financial assets ^a	9	13
Total trade and other receivables	60	72

a. Other financial assets relate to cash collateral provided by the swap counterparty (see note 19).

All amounts fall due within one year.

Trade and other receivables are non-interest bearing and are classified as loans and receivables and are therefore held at amortised cost. Trade and other receivables past due and not impaired are immaterial and therefore no further analysis is presented. The Directors consider that the carrying amount of trade and other receivables approximately equates to their face value.

Credit risk is considered in note 19.

17. Trade and other payables

	2014 £m	2013 £m
Current		
Trade payables	100	84
Other taxation and social security	69	55
Accrued charges	96	84
Other payables	26	27
Other financial liabilities ^a	9	13
Total trade and other payables	300	263
Non-current		
Other payables ^b	–	12

a. Other financial liabilities relate to cash collateral provided by the swap counterparty (see note 19).

b. At 28 September 2013, non-current other payables comprise an amount held in respect of the Group's gaming machine VAT claim. A decision was released during 2010 in respect of Rank plc's gaming claim and this ruling fell in the taxpayer's favour. As a result, the Group was able to further pursue its own gaming claim which was submitted in April 2006. HMRC agreed to make a repayment of the existing claim, subject to the Group providing a guarantee to HMRC that, in the event that the existing decision is overturned in a higher court, the amount will be repayable in full. The Rank case was appealed by HMRC to the European Court of Justice (ECJ) in 2011 however, no final decision was reached on gaming and the case was referred back to the UK Upper Tribunal. The case progressed through the UK courts and was heard in the Court of Appeal in May 2013. The decision in this case was released on 30 October 2013 and found in favour of HMRC. Rank has subsequently requested to appeal to the Supreme Court which has now been refused by the Court of Appeal. It is expected that Rank will now appeal directly to the Supreme Court. During the period ended 27 September 2014, the Group has repaid an amount of £12m plus interest to HMRC.

Current trade and other payables are non-interest bearing.

18. Borrowings

	2014 £m	2013 £m
Current		
Securitised debt ^{a,b}	61	57
Liquidity facility	147	–
Total current	208	57
Non-current		
Securitised debt ^{a,b}	2,012	2,075
Total borrowings	2,220	2,132

a. Further details of the assets pledged as security against the securitised debt are given on page 92.

b. Stated net of deferred issue costs.

	2014 £m	2013 £m
Analysis by year of repayment		
Due within one year or on demand	208	57
Due between one and two years	73	69
Due between two and five years	242	223
Due after five years	1,697	1,783
Total borrowings	2,220	2,132

Securitised debt

On 13 November 2003, the Group refinanced its debt by raising £1,900m through a securitisation of the majority of its UK pubs and restaurants owned by Mitchells & Butlers Retail Limited ('MAB Retail'). On 15 September 2006 the Group completed a further debt ('tap') issue to borrow an additional £655m and refinance £450m of existing debt at lower cost.

The loan notes consisted of 10 tranches as follows:

Tranche	Initial principal borrowed £m	Interest	Principal repayment period (all by instalments)	Effective interest rate %	Principal outstanding		Expected WAL ^a
					27 September 2014 £m	28 September 2013 £m	
A1N	200	Floating	2011 to 2028	6.21 ^b	170	178	8 years
A2	550	Fixed – 5.57%	2003 to 2028	6.01	309	324	8 years
A3N	250	Floating	2011 to 2028	6.29 ^b	212 ^c	223 ^c	8 years
A4	170	Floating	2016 to 2028	5.97 ^b	170	170	9 years
AB	325	Floating	2020 to 2032	5.74 ^b	325	325	14 years
B1	350	Fixed – 5.97%	2003 to 2023	6.12	175	199	5 years
B2	350	Fixed – 6.01%	2015 to 2028	6.12	350	350	10 years
C1	200	Fixed – 6.47%	2029 to 2030	6.56	200	200	15 years
C2	50	Floating	2033 to 2034	6.47 ^b	50	50	19 years
D1	110	Floating	2034 to 2036	6.68 ^b	110	110	21 years
	2,555				2,071	2,129	

a. Expected weighted average life (WAL) assumes no early redemption in respect of any loan notes.

b. After the effect of interest rate swaps.

c. A3N notes are US\$ notes which are shown as translated to sterling at the hedged swap rate. Values at the period end spot rate are £219m (2013 £231m).

The notes are secured on the majority of the Group's property and future income streams therefrom. All of the floating rate notes are hedged using interest rate swaps which fix the interest rate payable.

Interest and margin is payable on the floating rate notes as follows:

Tranche	Interest	Margin
A1N	3 month LIBOR	0.45%
A3N	3 month US\$ LIBOR	0.45%
A4	3 month LIBOR	0.58%
AB	3 month LIBOR	0.60%
C2	3 month LIBOR	1.88%
D1	3 month LIBOR	2.13%

The overall cash interest rate payable on the loan notes is 6.1% (2013 6.1%) 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 27 September 2014, Mitchells & Butlers Retail Limited had cash and cash equivalents of £78m (2013 £99m) which were governed by the covenants associated with the securitisation. Of this amount £36m (2013 £43m), representing disposal proceeds, was held on 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:

	2014 £m	2013 £m
Principal outstanding at beginning of period	2,137	2,192
Principal repaid during the period	(58)	(55)
Exchange on translation of dollar loan notes	(1)	–
Principal outstanding at end of period	2,078	2,137
Deferred issue costs	(9)	(9)
Accrued interest	4	4
Carrying value at end of period	2,073	2,132

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 has been obliged to draw that counterparty's portion of the facility during the period. The amount drawn at 27 September 2014 is £147m (28 September 2013 £nil). These funds are charged under the terms of the securitisation and are not available for use in the wider Group.

The facility, which is not available for any other purpose, is sized to cover 18 months debt service.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

18. Borrowings continued

Unsecured revolving credit facilities

During the period, the Group entered into two revolving credit facilities of £75m each, available for general corporate purposes. The amount drawn at 27 September 2014 is £nil (2013 £nil). Both facilities expire on 31 December 2017.

19. Financial instruments

Financial risk management

Financial risk is managed by the Group's Treasury function. The Group's Treasury function is governed by a Board Treasury Policy Statement which details the key objectives and policies for the Group's treasury management. The Treasury Committee ensures that the Treasury Policy is adhered to, monitors its operation and agrees appropriate strategies for recommendation to the Board. The Treasury Policy Statement is reviewed annually, with recommendations for change made to the Board, as appropriate. The Group Treasury function is operated as a cost centre and is the only area of the business permitted to transact treasury deals. It must also be consulted on other related matters such as the provision of guarantees or the financial implications of contract terms.

An explanation of the Group's financial instrument risk management objectives and strategies is set out below.

The main financial risks which impact the Group result from funding and liquidity risk, credit risk, capital risk and market risk, principally as a result of changes in interest and currency rates. Derivative financial instruments, principally interest rate and foreign currency swaps, are used to manage market risk. Derivative financial instruments are not used for trading or speculative purposes.

Funding and liquidity risk

In order to ensure that the Group's long-term funding strategy is aligned with its strategic objectives, the Treasury Committee regularly assesses the maturity profile of the Group's debt, alongside the prevailing financial projections. This enables it to ensure that funding levels are appropriate to support the Group's plans.

The current funding arrangements of the Group consist of the securitised notes issued by Mitchells & Butlers Finance plc (and associated liquidity facility) along with two unsecured revolving credit facilities of £75m each. The terms of the securitisation and the revolving credit facilities contain various financial covenants. Compliance with these covenants is monitored by Group Treasury.

The Group prepares a rolling daily cash forecast covering a six week period and an annual cash forecast by period. These forecasts are reviewed on a daily basis and are used to manage the investment and borrowing requirements of the Group. A combination of cash pooling and zero balancing agreements are in place to ensure the optimum liquidity position is maintained. The Group maintains sufficient cash balances or committed facilities outside the securitisation to ensure that it can meet its medium-term anticipated cash flow requirements.

The maturity table below details the contractual undiscounted cash flows (both principal and interest) for the Group's financial liabilities, after taking into account the effect of interest rate swaps. Trade and other payables (note 17) are short-term and excluded from the table.

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
27 September 2014^a							
Fixed rate:							
Securitised debt ^b	(186)	(188)	(193)	(194)	(193)	(2,472)	(3,426)
Floating rate:							
Liquidity facility	(147)	–	–	–	–	–	(147)
28 September 2013^a							
Fixed rate:							
Securitised debt ^b	(186)	(186)	(188)	(193)	(194)	(2,665)	(3,612)

a. Assumes no early redemption in respect of any loan notes.

b. Includes the impact of the cash flow hedges.

Credit risk

The Group Treasury function enters into contracts with third parties in respect of derivative financial instruments for risk management purposes and the investment of surplus funds. These activities expose the Group to credit risk against the counterparties. To mitigate this exposure, Group Treasury operates policies that restrict the investment of surplus funds and the entering into of derivative transactions to counterparties that have a minimum credit rating of 'A' (long-term) and 'A1'/'P1'/'F1' (short-term). Counterparties may also be required to post collateral with the Group, where their credit rating falls below a predetermined level. An amount of £9m (2013 £13m) of collateral was posted by a swap counterparty within the securitisation as at 27 September 2014. The amount that can be invested or transacted at various ratings levels is restricted under the policy. To minimise credit risk exposure against individual counterparties, investments and derivative transactions are entered into with a range of counterparties. The Group Treasury function reviews credit ratings, as published by Moody's, Standard & Poor's and Fitch Ratings, current exposure levels and the maximum permitted exposure at given credit ratings, for each counterparty on a daily basis. Any exceptions are required to be formally reported to the Treasury Committee on a four-weekly basis.

Included in other receivables are amounts due from certain Group suppliers. Included in trade and other payables at the period end are amounts due to some of these suppliers. This reduces the Group's credit exposure.

The Group's credit exposure at the balance sheet date was:

	2014 £m	2013 £m
Cash and cash equivalents	255	340
Other cash deposits	–	25
Trade receivables	3	2
Other receivables	21	21
Derivatives ^a	5	5

a. As disclosed in notes 16 and 17, the Group has £9m (2013 £13m) of cash collateral which is not included in this balance.

Capital management

The Group's capital base is comprised of its net debt (analysed in note 26) plus total equity (disclosed on the face of the Group balance sheet). The objective is to maintain a capital base which is sufficiently strong to support the ongoing development of the business as a going concern, including the amenity and cash flow generation of the pub estate. By keeping debt (see also 'Funding and liquidity risk' above) and headroom against its debt facilities at an appropriate level, the Group ensures that it maintains a strong credit position, whilst maximising value for shareholders and adhering to its covenants and other restrictions associated with its debt (see note 18). In managing its capital structure, from time to time the Group may realise value from non-core assets, buy back or issue new shares, initiate and vary its dividend payments and seek to vary or accelerate debt repayments. The Group's policy is to ensure that the maturity of its debt profile supports its strategic objectives. The Board considers the latest covenant compliance, headroom projections and projected balance sheet positions periodically throughout the year, based on the advice of the Treasury Committee which meets on a four-weekly basis. The Treasury Committee is chaired by the Group Treasurer and monitors Treasury performance and compliance with Board-approved policies. The Group Finance Director is also a member of the Committee.

Total capital at the balance sheet date is as follows:

	2014 £m	2013 £m
Net debt (note 26)	1,958	1,759
Total equity	1,185	1,219
Total capital	3,143	2,978

Market risk

The Group is exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate because of changes in market prices. Market risk comprises foreign currency and interest rate risk.

Foreign currency risk

The Group faces currency risk in two main areas:

At issuance of the Class A3N floating rate notes, the Group entered into a cross currency interest rate swap to manage the foreign currency exposure resulting from both the US\$ principal and initial interest elements of the notes. The A3N notes form part of the securitised debt (see note 18).

Further to the step-up on the A3N notes on 15 December 2010, the Group has additional foreign currency exposure as a result of the increase in US\$ finance costs. A movement of 10% in the US\$ exchange rate would have £nil (2013 £nil) impact on the reported Group profit and £5m (2013 £5m) impact on the reported Group net assets.

The Group has no significant profit and loss exposure as a result of retranslating monetary assets and liabilities at different exchange rates. As the Group is predominantly UK based and acquires the majority of its supplies in sterling, it has no significant direct currency exposure from its operations.

Interest rate risk

The Group has a mixture of fixed and floating interest rate debt instruments and manages the variability in cash flows resulting from changes in interest rates by using derivative financial instruments. Where the necessary criteria are met, the Group minimises the volatility in its financial statements through the adoption of the hedge accounting provisions permitted under IAS 39. The interest rate exposure resulting from the Group's £2.1bn securitisation is largely fixed, either as a result of the notes themselves being issued at fixed interest rates, or through a combination of floating rate notes against which effective interest rate swaps are held, which are eligible for hedge accounting.

The Group's sensitivity to a 100 basis point movement in interest rates is detailed below:

	2014 £m	2013 £m
Interest income ^a	2	4
Interest expense ^b	(2)	–
Profit impact	–	4
Derivative financial instruments (fair values) ^c	104	110
Total equity	104	114

a. Represents interest income earned on cash and cash equivalents (these are defined in note 26).

b. The element of interest expense which is not matched by payments and receipts under cash flow hedges which would otherwise offset the interest rate exposure of the Group.

c. The impact on total equity from movements in the fair value of cash flow hedges.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

19. Financial instruments continued

Derivative financial instruments

Cash flow hedges

Changes in cash flow hedge fair values are recognised in the hedging reserve in equity to the extent that the hedges are effective. The cash flow hedges detailed below have been assessed as being highly effective during the period and are expected to remain highly effective over the remaining contract lives.

During the period a loss of £59m (2013 gain of £53m) on cash flow hedges was recognised in equity. A loss of £48m (2013 £47m) was recycled from equity and included in the Group income statement for the period.

Cash flow hedges – securitised borrowings

At 27 September 2014, the Group held 10 (2013 10) interest rate swap contracts with a nominal value of £1,037m (2013 £1,056m), designated as a hedge of the cash flow interest rate risk of £1,037m (2013 £1,056m) of the Group's floating rate borrowings, comprising the A1N, A3N, A4, AB, C2 and D1 loan notes.

The cash flows on these contracts occur quarterly, receiving a floating rate of interest based on LIBOR and paying a fixed rate of 4.8749% (2013 4.8805%). The contract maturity dates match those of the hedged item. The 10 interest rate swaps are held on the balance sheet at fair market value, which is a liability of £241m (2013 £228m).

At 27 September 2014 the Group held one (2013 one) cross currency interest rate swap contract, with a nominal value of £212m (2013 £223m), designated as a hedge of the cash flow interest rate and currency risk of the Group's A3N floating rate \$355m (2013 \$373m) borrowings. The cross currency interest rate swap is held on the balance sheet at a fair value asset of £5m (2013 £5m).

The cash flows on this contract occur quarterly, receiving a floating rate of interest based on US\$ LIBOR and paying a floating rate of interest at LIBOR in sterling.

The cash flows arising from interest rate swap positions on the same counterparty may be settled as a net position. The cross currency interest rate swap is held under a separate agreement and cash movements for this instrument are settled individually.

The fair values of the derivative financial instruments were measured at 27 September 2014 and may be subject to material movements in the period subsequent to the balance sheet date. The fair values of the derivative financial instruments are reflected on the balance sheet as follows:

	Derivative financial instruments – fair value				Total £m
	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	
Cash flow hedges:					
– Interest rate swaps	–	–	(45)	(196)	(241)
– Cross currency swap	5	–	–	–	5
27 September 2014	5	–	(45)	(196)	(236)
28 September 2013	5	–	(46)	(182)	(223)

The fair value and carrying value of financial assets and liabilities by category is as follows:

	2014		2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets:				
– Cash	255	255	365	365
– Derivative instruments in designated hedge accounting relationships	5	5	5	5
– Loans and receivables	24	24	23	23
Financial liabilities:				
– Amortised cost	(2,220)	(2,294)	(2,132)	(2,073)
– Derivative instruments in designated hedge accounting relationships	(241)	(241)	(228)	(228)
– Other	(195)	(195)	(166)	(166)
	(2,372)	(2,298)	(2,133)	(2,074)

The various tranches of the securitised debt have been valued using period end quoted offer prices. As the securitised debt is traded on an active market, the market value represents the fair value of this debt. 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.

Fair value of 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 at 27 September 2014:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Currency swaps	–	5	–	5
Financial liabilities:				
Interest rate swaps	–	(241)	–	(241)
	–	(236)	–	(236)

20. Deferred tax

The deferred tax included in the Group balance sheet and Group income statement is as follows:

	2014 £m	2013 £m
Deferred tax liability:		
Accelerated capital allowances	44	46
Rolled over and held over gains	137	139
Unrealised gains on revaluations	165	153
Depreciated non-qualifying assets	7	7
Total deferred tax liability	353	345
Deferred tax asset:		
Retirement benefit obligations (note 8)	85	50
Share-based payments	3	2
Derivative financial instruments	48	46
Non-trade tax losses	13	7
Total deferred tax asset	149	105

	2014 £m	2013 restated* £m
Deferred tax in the income statement:		
Accelerated capital allowances	2	6
Retirement benefit obligations	(8)	(2)
Rolled over and held over gains	2	11
Depreciated non-qualifying assets	–	1
Unrealised gains/(losses) on revaluations	6	(8)
Short term temporary differences	–	(1)
Non-trade tax losses	6	(1)
Total deferred tax credit in the income statement (note 11)	8	6

* Restated for the impact of IAS 19 (revised), see note 8.

Unrecognised tax losses and tax allowances

At the balance sheet date the Group had unused losses of £70m (2013 £9m) and unused tax allowances of £47m (2013 £nil) available for offset against future profits. The increase in unused losses and tax allowances in the period relates to the acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited.

A deferred tax asset has not been recognised on tax losses with a value of £13m (2013 £1m) and tax allowances with a value of £9m (2013 £nil) because it is not certain that future taxable profits will be available against which the Group can utilise these benefits. These tax losses and tax credits can be carried forward indefinitely.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

21. Provisions

	Property leases £m
At 29 September 2012	9
Released in the period	(2)
Provided in the period	5
Utilised in the period	(3)
At 28 September 2013	9
Released in the period	(1)
Provided in the period	7
Utilised in the period	(3)
At 27 September 2014	12

Onerous property provisions represent the expected unavoidable losses on onerous and vacant property leases and comprise the lower of the net rent payable or the operating loss after rental costs. The provision is calculated on a site by site basis, with an estimated period of future losses ranging from three to five years. Other contractual dilapidations costs are also recorded as provisions as appropriate, over a period of five years prior to lease expiry.

22. Called up share capital

	2014		2013	
	Number of shares	£m	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 8 ¹³ / ₂₄ p each				
At start of period	411,011,098	35	409,923,805	35
Share capital issued	626,787	–	1,087,293	–
At end of period	411,637,885	35	411,011,098	35

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

No dividends have been declared or paid in the period (2013 £nil).

Details of options granted under the Group's share schemes are contained in note 7.

23. Employee share trusts

The Company has established two employee share trusts:

Share Incentive Plan (SIP) Trust

The SIP Trust was established in 2003 to purchase shares on behalf of employees participating in the Company's Share Incentive Plan. Under this scheme, eligible employees are awarded free shares which are normally held in trust for a holding period of at least three years. After five years the shares may be transferred to or sold by the employee free of income tax and National Insurance contributions. The SIP Trust buys the shares in the market or subscribes for newly issued shares with funds provided by the Company. During the holding period, dividends are paid directly to the participating employees. At 27 September 2014, the trustees, Equiniti Share Plan Trustees Limited, held 1,571,331 (2013 1,592,802) shares in the Company. Of these shares, 441,070 (2013 376,215) shares are unconditionally available to employees, 340,256 (2013 362,927) shares have been conditionally awarded to employees, 771,894 (2013 832,704) shares have been awarded to employees but are still required to be held within the SIP Trust and the remaining 18,111 (2013 20,956) shares are unallocated.

Employee Benefit Trust (EBT)

The EBT was established in 2003 in order to satisfy the exercise or vesting of existing and future share options and awards under the Executive Share Option Plan, Performance Restricted Share Plan, Short Term Deferred Incentive Plan and the Sharesave Plan. The EBT purchases shares in the market or subscribes for newly issued shares, using funds provided by the Company, based on expectations of future requirements. Dividends are waived by the EBT. At 27 September 2014, the trustees, Sanne Fiduciary Services Limited, were holding 534,356 (2013 521,295) shares in the Company.

24. Equity reserves

The Group's main operating subsidiary, Mitchells & Butlers Retail Limited, had retained earnings under UK GAAP of £234m at 27 September 2014 (2013 £227m). Its ability to distribute these reserves by way of dividends is restricted by the securitisation covenants (see note 18).

Share premium account

The share premium account represents amounts received in excess of the nominal value of shares on issue of new shares.

Capital redemption reserve

The capital redemption reserve movement arose on the repurchase and cancellation by the Company of ordinary shares during prior periods.

Revaluation reserve

The revaluation reserve represents the unrealised gain generated on revaluation of the property estate with effect from 29 September 2007. It comprises the excess of the fair value of the estate over deemed cost, net of related deferred taxation.

Own shares held

Own shares held by the Group represent the shares in the Company held by the employee share trusts.

During the period, the employee share trusts acquired 500,000 (2013 1,250,000) and subscribed for 189,859 (2013 181,578) shares at a cost of £2m (2013 £5m) and released 698,269 (2013 1,448,937) shares to employees on the exercise of options and other share awards for a total consideration of £1m (2013 £2m). The 2,105,687 shares held by the trusts at 27 September 2014 had a market value of £8m (28 September 2013 2,114,097 shares held had a market value of £9m). Further details regarding the employee share trusts are given in note 23.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged future cash flows.

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

25. Cash flow from operations

	2014 52 weeks £m	2013 52 weeks restated* £m
Operating profit	264	281
Add back: operating exceptional items (note 9)	49	29
Operating profit before exceptional items	313	310
Add back:		
Depreciation of property, plant and equipment (note 4)	108	109
Amortisation of intangibles (note 4)	1	1
Cost charged in respect of share-based payments (note 6)	2	2
Administrative pension costs (note 8)	2	2
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	426	424
Movements in working capital and pension contributions:		
(Increase)/decrease in inventories	(1)	2
Decrease/(increase) in trade and other receivables	15	(10)
Decrease in trade and other payables	(3)	(5)
Increase in provisions	3	–
Additional pension contributions (note 8)	(49)	(40)
Cash flow from operations	391	371

* Restated for the impact of IAS 19 (revised), see note 8.

26. Analysis of net debt

	2014 £m	2013 £m
Cash and cash equivalents (see below)	255	340
Other cash deposits (see below)	–	25
Securitised debt (note 18)	(2,073)	(2,132)
Liquidity facility (note 18)	(147)	–
Derivatives hedging balance sheet debt ^a (note 18)	7	8
	(1,958)	(1,759)

a. Represents the element of the fair value of currency swaps hedging the balance sheet value of the Group's US\$ denominated loan notes (see note 18). This amount is disclosed separately to remove the impact of exchange movements which are included in the securitised debt amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including overnight deposits, of £255m (2013 £268m) and cash deposits with an original maturity of three months or less of £nil (2013 £72m).

Other cash deposits

Other cash deposits at 27 September 2014 comprise £nil (2013 £25m) of cash at bank with an original maturity of three months or more.

Notes to the financial statements

For the 52 weeks ended 27 September 2014 continued

27. Movement in net debt

	2014 52 weeks £m	2013 52 weeks £m
Net (decrease)/increase in cash and cash equivalents (note 26)	(85)	29
Add back cash flows in respect of other components of net debt:		
Transfers from other cash deposits	(25)	–
Repayment of principal in respect of securitised debt	58	55
Drawings under liquidity facility	(147)	–
(Increase)/decrease in net debt arising from cash flows	(199)	84
Movement in capitalised debt issue costs net of accrued interest	–	(2)
(Increase)/decrease in net debt	(199)	82
Opening net debt	(1,759)	(1,841)
Closing net debt	(1,958)	(1,759)

28. Financial commitments

Leases

The vast majority of the Group's leases are industry standard UK pub or commercial property leases which provide for periodic rent reviews to open market value and enjoy statutory rights to renewal on expiry. They generally do not contain conditions relating to rent escalation, rights to purchase, concessions, residual values or other material provisions of an unusual nature.

Where sublet arrangements are in place, future minimum lease payments and receipts are presented gross.

Operating lease commitments – Group as lessee

Total future minimum lease rental payments under non-cancellable operating leases are as follows:

	2014 £m	2013 £m
Due within one year	47	42
Between one and five years	174	158
After five years	452	424
	673	624

Operating lease receivables – Group as lessor

Total future minimum lease rental receipts under non-cancellable operating leases are as follows:

	2014 £m	2013 £m
Due within one year	7	6
Between one and five years	22	20
After five years	47	49
	76	75

Lease income recognised in the year was as follows:

	2014 52 weeks £m	2013 52 weeks £m
Standard lease income	9	8

Capital commitments

	2014 £m	2013 £m
Contracts placed for expenditure on property, plant and equipment not provided for in the financial statements	24	18

29. Acquisitions

On 15 June 2014 the Group acquired all of the issued share capital in Orchid Pubs & Dining Limited and Midco 1 Limited. Orchid Pubs & Dining Limited operates pubs and restaurants in the UK and Midco 1 Limited operates as a property leasing company. The acquisition of these companies supports the Group's strategy of expanding its food-led operations.

At the period end none of the acquired sites had been converted into one of the Group's existing brand formats. However, a phased conversion programme will commence during the new financial period.

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

	£m
Land and buildings	270
Fixtures, fittings and equipment	9
Inventory	2
Cash and cash equivalents	11
Trade and other receivables	5
Trade and other payables	(26)
Deferred tax liability	(9)
Net identifiable assets	262
Goodwill	9
Total cash consideration	271
Net cash outflow arising on acquisition:	
Cash consideration	271
Less: deferred consideration	(2)
Less: cash and cash equivalents acquired	(11)
	258

Goodwill of £9m has arisen on the acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited primarily through the benefits that will be gained from combining their sites with the Group's existing portfolio of brands and related sites.

The trade and other receivables acquired have a fair value of £5m and a gross contractual value of £5m.

Acquisition costs, relating to integration and legal and professional fees, amounted to £12m and have been charged to the income statement during the period (see note 9).

Orchid Pubs & Dining Limited and Midco 1 Limited have contributed £41m revenue and £6m to the Group's operating profit pre-exceptionals for the period between acquisition date and the balance sheet date.

30. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Mitchells & Butlers plc is the beneficial owner of all of the equity share capital, either itself or through subsidiary undertakings, of the following principal operating companies:

Name of subsidiary	Country of incorporation	Country of operation	Nature of business
Mitchells & Butlers Retail Limited	England and Wales	United Kingdom	Leisure retailing
Mitchells & Butlers Retail (No. 2) Limited	England and Wales	United Kingdom	Leisure retailing
Mitchells & Butlers (Property) Limited	England and Wales	United Kingdom	Property management
Mitchells & Butlers Leisure Retail Limited	England and Wales	United Kingdom	Service company
Mitchells & Butlers Finance plc	England and Wales	United Kingdom	Finance company
Mitchells & Butlers Germany GmbH ^a	Germany	Germany	Leisure retailing
Orchid Pubs & Dining Limited	England and Wales	United Kingdom	Leisure retailing
Midco 1 Limited	England and Wales	United Kingdom	Property leasing company
Standard Commercial Property Developments Limited	England and Wales	United Kingdom	Property development

a. Shares held directly by Mitchells & Butlers plc.

A full list of subsidiary undertakings will be annexed to the next annual return of Mitchells & Butlers plc to be filed with the Registrar of Companies.

Compensation of key management personnel of the Group:

	2014 £m	2013 £m
Short-term employee benefits	2	2
Termination payments	—	—
Share-based payments	—	—
Pension benefits	—	—
	2	2

Only employees of the Mitchells & Butlers Group who are members of the Board of Directors or the Executive Committee of Mitchells & Butlers plc are deemed to be key management personnel. It is the Board who have responsibility for planning, directing and controlling the activities of the Group.

Movements in share options held by the employees of Mitchells & Butlers plc are summarised in note 4 of the Company accounts.

Five year review

Income statement information

	2014 52 weeks	2013 52 weeks restated*	2012 53 weeks	2011 52 weeks	2010 52 weeks
	£m	£m	£m	£m	£m
Revenue	1,970	1,895	1,889	1,796	1,980
Operating profit before exceptional items	313	310	304	294	322
Operating exceptional items	(49)	(29)	(72)	(19)	(289)
Total operating profit	264	281	232	275	33
Finance costs	(132)	(130)	(140)	(141)	(153)
Finance revenue	1	2	2	3	–
Net pensions finance charge	(10)	(11)	(11)	(5)	(7)
Profit/(loss) before taxation	123	142	83	132	(127)
Taxation (charge)/credit	(30)	(14)	(13)	(7)	43
Profit/(loss) for the period	93	128	70	125	(84)
Earnings/(loss) per share					
Basic	22.6p	31.2p	17.1p	30.7p	(20.6)p
Diluted	22.5p	31.0p	17.0p	30.5p	(20.6)p
Adjusted (Basic)	32.6p	32.2p	30.5p	28.0p	29.7p
Dividends paid and proposed^a					
Normal dividends (£m)	–	–	–	–	–
Normal dividends per share	–	–	–	–	–

* Restated for the impact of IAS 19 (revised) and presentation of pension finance charge, see note 8.

a. Dividend information represents interim and final dividends for each period presented.

Adjusted earnings per share is stated after removing the impact of exceptional items and other adjustments as explained in note 1, less tax thereon.

Company balance sheet

27 September 2014

Registered Number: 04551498

	Notes	2014 £m	2013 £m
Fixed assets			
Investments	5	1,717	1,719
		1,717	1,719
Current assets			
Debtors: amounts falling due within one year	6	532	225
Other cash deposits		–	97
Cash and cash equivalents		7	151
		539	473
Creditors: amounts falling due within one year	7	(1,336)	(1,328)
Net current liabilities		(797)	(855)
Net assets before net pension liabilities		920	864
Net pension liabilities	2	(340)	(198)
Net assets		580	666
Capital and reserves			
Called up share capital	8, 9	35	35
Share premium account	9	24	23
Capital redemption reserve	9	3	3
Profit and loss account	9	518	605
Shareholders' funds		580	666

Signed on behalf of the Board on 24 November 2014

Alistair Darby
Tim Jones

The accounting policies and the notes on pages 106 to 111 form an integral part of these financial statements.

Notes to the Company financial statements

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention. The financial statements comply with applicable accounting standards in the United Kingdom.

The Company has not presented its own profit and loss account, as permitted by Section 408 of the Companies Act 2006.

No statement of recognised gains and losses is provided as the only additional loss is the actuarial movement which is disclosed in note 9.

The Company's accounting policies have been applied on a consistent basis with no changes to policies during the period.

Fixed asset investments

The Company's investments in Group undertakings are held at cost less provision for impairment, except for those amounts designated as being in a fair value hedge.

Current taxation

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted, at the balance sheet date.

Pension obligations

The Company has both defined benefit and defined contribution pension arrangements.

The actuarial liability recognised in the balance sheet in respect of the Company's defined benefit arrangements is the present value of the defined benefit obligation less the fair value of the scheme assets, shown net of deferred tax. The cost of providing benefits is determined using the projected unit credit method as determined annually by qualified independent actuaries.

Following guidance from the Financial Reporting Review Panel, the total liability recognised in the balance sheet in respect of the Company's defined benefit arrangements is the greater of the minimum funding requirements, calculated as the present value of the agreed schedule of contributions, and the actuarial calculated liability.

There is no current service cost as all defined benefit schemes are closed to future accrual. The interest cost and the expected return on assets are shown as a net amount within finance income or expense. Actuarial gains and losses are recognised immediately in equity. Curtailments and settlements relating to the Company's defined benefit plan are recognised in the period in which the curtailment or settlement occurs.

For the Company's defined contribution arrangements, the charge against profit is equal to the amount of contributions payable.

Share-based compensation

The Company operates a number of equity-settled share-based compensation plans, whereby, subject to meeting any relevant conditions, employees are awarded shares or rights over shares. The cost of such awards is measured at fair value, excluding the effect of non market-based vesting conditions, on the date of grant. The expense is generally recognised over the vesting period and is adjusted for the estimated effect, on the number of shares that will eventually vest, of non market-based vesting conditions and forfeitures due to employees leaving the employment of the Company. Fair values are calculated using either the Black-Scholes, Binomial or Monte Carlo simulation models depending on the conditions attached to the particular share scheme.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange ruling at the balance sheet date.

In accordance with FRS 26, the Company applies fair value accounting in order to hedge part of its euro loan with Mitchells & Butlers Germany GmbH against part of its investment in Mitchells & Butlers Germany GmbH. Foreign exchange differences arising on translation on both of these items using the period end rate are taken to the profit and loss account. The remainder of the investment in Mitchells & Butlers Germany GmbH is held at cost as described above.

Profit and loss account

The Company recorded a profit after tax of £94m (2013 £77m), less dividends of £nil (2013 £nil).

Auditor's remuneration for audit services to the Company was £22,000 (2013 £22,000). This is borne by another Group company, as are any other costs relating to non-audit services (see note 5 to the consolidated financial statements).

Cash flow statement

The Company has taken advantage of the exemption under FRS 1 Cash Flow Statements and not produced a cash flow statement.

Related party transactions

The Company has taken advantage of the exemption under FRS 8 Related Party Disclosures and not disclosed details of transactions with wholly owned subsidiaries.

2. Pensions

The net pension liability of £340m (2013 £198m) is shown net of a deferred tax asset of £85m (2013 £50m).

The Company is the sponsoring employer of the Group's pension plans. Information concerning the pension scheme arrangements operated by the Company and associated current and future contributions is contained within note 8 on pages 85 to 88 to the consolidated financial statements.

The Company accounts for pensions under FRS 17 Retirement Benefits. Prior to the introduction of IAS 19 (revised), disclosure requirements under FRS 17 were equivalent to those under IAS 19 Employee Benefits. However, following Group adoption of IAS 19 (revised) on 29 September 2013, differences in the accounting and disclosure requirements between FRS 17 and IAS 19 (revised) now arise. The impact of this change is described in note 1 to the Group consolidated financial statements on page 75. Make reference to note 8 of the Group consolidated financial statements on pages 85 to 88, where appropriate.

Measurement of scheme assets and liabilities

Minimum funding requirements

The results of the 2013 actuarial valuation showed a funding deficit of £572m, using a more prudent basis to discount the scheme liabilities than is required by FRS 17 and on 21 May 2014 the Company formally agreed a new 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension scheme liabilities. The Group has agreed to increase contributions from £40m to £45m per annum, for three years effective from 1 April 2013. From 1 April 2016 contributions then increase each year by the rate of RPI (capped between 0% and 5%) for the following seven years. The Group has also agreed to make a further minimum underwritten payment of £40m on terms to be agreed with the Trustees by 30 September 2015. An additional liability is recognised, such that the overall pension liability at the period end reflects the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actuarial deficit.

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 2013 and updated by the schemes' independent qualified actuaries to 27 September 2014. Scheme assets are stated at market value at 27 September 2014 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. FRS 17 requires that the scheme liabilities are discounted using market yields at the end of the period on high quality corporate bonds.

The principal financial and mortality assumptions used at the balance sheet date have been updated to reflect changes in market conditions in the period and more up to date mortality assumptions, in line with those used in the 2013 actuarial valuation as agreed on 21 May 2014. These assumptions and a sensitivity analysis are disclosed in note 8 to the Group consolidated financial statements on page 86.

The long-term rates of return on assets at 27 September 2014 shown below form the basis of the calculation of the expected return on pension scheme assets for the 2015 financial year. The 2013 rates shown are used in calculating the 2014 expected return.

To develop the expected long-term rate of return on assets assumptions, the Group considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class is weighted based on the asset allocation, to develop the expected long-term rate of return on assets assumption for the portfolio, resulting in a weighted average assumption of 4.7% (2013 4.2%). The actual investment return achieved on the scheme assets over the period was 9.5% (2013 9.2%), which represented a gain of £154m (2013 £145m).

The combined assets of the MABPP and MABEPP, their expected rates of return and the value of the pension scheme assets and liabilities at the balance sheet date can be summarised as follows:

	2014		2013	
	Long-term rates of return expected %	Value £m	Long-term rates of return expected %	Value £m
Equities	7.0	588	7.4	545
Bonds	3.1	1,215	3.6	1,120
Other	4.8	62	5.0	67
Fair value of assets		1,865		1,732
Present value of scheme liabilities		(2,058)		(1,849)
Actuarial deficit in the schemes		(193)		(117)
Additional liability recognised due to minimum funding requirements		(232)		(131)
Total pension liability		(425)		(248)
Associated deferred tax asset		85		50
Net pension liability		(340)		198

The following amounts relating to the defined benefit and defined contribution arrangements have been recognised in the Company's financial statements in the period:

	2014 52 weeks £m	2013 52 weeks £m
Profit and loss account		
Interest received:		
Expected return on pension scheme assets	81	67
Interest on pension scheme liabilities	(80)	(72)
Net interest in respect of pensions	1	(5)
Profit and loss account reserves		
Actual return less expected return on pension scheme assets	73	78
Changes in assumptions underlying the present value of the scheme liabilities	(199)	(143)
Actuarial loss recognised	(126)	(65)
Movement in pension liability recognised due to minimum funding requirements	(101)	57
Total movement in pension liability recognised reserves	(227)	(8)

Notes to the Company financial statements

continued

2. Pensions continued

The movement in the fair value of the schemes' assets in the period is as follows:

	Scheme assets	
	2014 £m	2013 £m
Fair value of scheme assets at beginning of period	1,732	1,610
Expected return on plan assets	81	67
Employer contributions	49	41
Benefits paid	(70)	(64)
Actuarial gain recognised	73	78
At end of period	1,865	1,732

Changes in the present value of defined benefit obligations are as follows:

	Scheme liabilities	
	2014 £m	2013 £m
Present value of defined benefit obligation at beginning of period	(1,849)	(1,698)
Interest cost on benefit obligations	(80)	(72)
Benefits paid	70	64
Actuarial loss recognised	(199)	(143)
At end of period ^a	(2,058)	(1,849)

a. The defined benefit obligation comprises £24m (2013 £22m) relating to the MABETUS unfunded plan and £2,034m (2013 £1,827m) relating to the funded plans.

3. Employees and Directors

	2014 52 weeks	2013 52 weeks
Average number of employees, including part-time employees	2	2

Employees of Mitchells & Butlers plc consist of Executive Directors.

4. Share-based payments

The charge recognised for share-based payments in the period is £nil (2013 £nil) which comprises share option schemes and share awards to the employees of the Company.

Details of employee share schemes and options granted over the shares of the Company are included under note 7 of the consolidated financial statements.

Movements in the awards and options outstanding under these schemes, in respect of the employees of the Company, for the periods ended 27 September 2014 and 28 September 2013 are as follows:

	Short Term Deferred Incentive Plan	Performance Restricted Share Plan	Share Incentive Plan
	Number of shares thousands	Number of shares thousands	Number of shares thousands
Outstanding at 29 September 2012	13	813	2
Granted	–	477	1
Exercised	(7)	(201)	–
Forfeited	–	–	(1)
Expired	–	(612)	–
Outstanding at 28 September 2013	6	477	2
Granted	80	407	2
Exercised	(6)	–	–
Forfeited	–	–	–
Expired	–	–	–
Outstanding at 27 September 2014	80	884	4

Fair value of options granted during the period (pence)^a

At 27 September 2014	409.3	226.3	398.0
At 28 September 2013	–	213.9	370.9

Weighted average remaining contract life (years)

At 27 September 2014	0.7	3.6	– ^b
At 28 September 2013	0.2	4.2	– ^b

a. Fair value is calculated on the date of grant.

b. SIP shares are capable of remaining within the SIP Trust indefinitely while participants continue to be employed by the Group.

	Sharesave Plan	
	Number of shares thousands	Weighted average option price pence
Options outstanding at 29 September 2012	13	182.0
Granted	—	—
Exercised	—	—
Forfeited	(8)	182.0
Expired	—	—
Options outstanding at 28 September 2013	5	182.0
Granted	8	328.0
Exercised	—	—
Forfeited	—	—
Expired	—	—
Options outstanding at 27 September 2014	13	273.2
Options exercisable		
At 27 September 2014	—	—
At 28 September 2013	—	—
Fair value of options granted during the period (pence)^a		
At 27 September 2014		1.23
At 28 September 2013		—
Range of prices (pence) of options outstanding		
At 27 September 2014		182.0 – 328.0
At 28 September 2013		182.0

a. Fair value is calculated on date of grant.

The weighted average share price during the period was 422.5p (2013 355.3p).

Summarised information about options over the Company's shares outstanding at 27 September 2014 under the share option schemes, in respect of the employees of the Mitchells & Butlers Group, is shown on page 85.

5. Fixed asset investments

	Shares in subsidiary undertakings £m
Cost	
At 29 September 2012	1,748
Exchange differences	1
At 28 September 2013	1,749
Exchange differences	(2)
At 27 September 2014	1,747
Provision	
At 29 September 2012	30
Provided during period	—
At 28 September 2013	30
Provided during period	—
At 27 September 2014	30
Net book value	
At 27 September 2014	1,717
At 28 September 2013	1,719
At 29 September 2012	1,718

Mitchells & Butlers plc is the beneficial owner of all of the equity share capital of companies within the Group, either itself or through subsidiary undertakings (see note 30 of the consolidated financial statements).

A full list of subsidiary undertakings will be annexed to the next annual return of Mitchells & Butlers plc to be filed with the Registrar of Companies.

Notes to the Company financial statements

continued

6. Debtors

	2014 £m	2013 £m
Amounts owed by subsidiary undertakings	532	224
Prepayments	–	1
	532	225

All amounts fall due within one year.

7. Creditors: amounts falling due within one year

	2014 £m	2013 £m
Bank overdraft	28	26
Amounts owed to subsidiary undertakings	1,306	1,300
Other creditors	2	2
	1,336	1,328

8. Called up share capital

Details of the amount and nominal value of allotted, called up and fully paid share capital are contained in note 22 to the consolidated financial statements.

9. Capital and reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account reserve		
				Own shares £m	Other £m	Total £m
At 29 September 2012	35	21	3	(3)	550	547
Share capital issued	–	2	–	–	–	–
Purchase of own shares	–	–	–	(5)	–	(5)
Credit in respect of employee share schemes	–	–	–	–	2	2
Release of own shares	–	–	–	4	(2)	2
Actuarial loss on pension schemes	–	–	–	–	(65)	(65)
Movement in pension liability due to minimum funding requirements	–	–	–	–	57	57
Deferred tax relating to actuarial loss	–	–	–	–	7	7
Deferred tax relating to movement in pension liability due to minimum funding requirements	–	–	–	–	(17)	(17)
Profit after taxation	–	–	–	–	77	77
At 28 September 2013	35	23	3	(4)	609	605
Share capital issued	–	1	–	–	–	–
Purchase of own shares	–	–	–	(2)	–	(2)
Release of own shares	–	–	–	2	(1)	1
Credit in respect of employee share schemes	–	–	–	–	2	2
Actuarial loss on pension schemes	–	–	–	–	(126)	(126)
Movement in pension liability due to minimum funding requirements	–	–	–	–	(101)	(101)
Deferred tax relating to actuarial loss	–	–	–	–	25	25
Deferred tax relating to movement in pension liability due to minimum funding requirements	–	–	–	–	20	20
Profit after taxation	–	–	–	–	94	94
At 27 September 2014	35	24	3	(4)	522	518

The profit and loss account reserve is wholly distributable after the deduction for own shares.

10. Deferred tax asset

	£m
At 29 September 2012	63
Charged to profit and loss account	(3)
Charged to profit and loss account reserves	(10)
At 28 September 2013	50
Charged to profit and loss account	(10)
Credited to profit and loss account reserves	45
At 27 September 2014	85

Analysed as tax timing differences related to:

	2014 £m	2013 £m
Pensions	85	50

The pension liability is shown net of the associated deferred tax asset (see note 2).

Further information on the changes to tax legislation are provided in note 11 to the consolidated financial statements.

Shareholder information

Contacts

Registered office

27 Fleet Street
Birmingham B3 1JP
Telephone +44 (0)121 498 4000
Fax +44 (0)121 233 2246

Registrar

Equiniti

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

From the UK:
Telephone 0871 384 2065*
Fax 0871 384 2100*

From non-UK jurisdictions:
Telephone +44 (0)121 415 7088
Fax +44 (0)1903 833 113

For those with hearing loss, a textphone is available on 0871 384 2255* for UK callers with compatible equipment.

* Calls to these numbers are charged at 8p per minute plus network extras.
Lines are open 8.30am to 5.30pm, Monday to Friday (excluding Bank Holidays).

Key dates

These dates are indicative only and may be subject to change. For the current status visit the financial calendar on our website at www.mbplc.com/investors

Annual General Meeting	29 January 2015
Announcement of half-year results	May 2015
Pre-close trading update	September 2015
2015 final results announcement	November 2015

Glossary

AWT (Average Weekly Take)

The average sales per site per week, calculated as total sales excluding VAT divided by the average number of sites trading during the period divided by the number of weeks in the period.

Bond amortisation

The paying off of debt with a fixed repayment schedule in regular instalments over a period of time.

Cash flow from operations

Net cash flow resulting directly from regular operations.

EBIT

Earnings before interest and tax.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EBITDAR

Earnings before interest, tax, depreciation, amortisation and rent.

EPOS

Electronic point of sale.

FSA

Food Standards Agency.

IAS

International Accounting Standards.

Internal Rent

A notional rent charge made against freehold properties to align internal performance measurement across freehold and leasehold sites.

Like-for-like sales growth

Like-for-like sales growth includes the sales performance against the comparable period in the prior year of all UK managed pubs, bars and restaurants that were trading in the two periods being compared.

Operating profit

Earnings before interest and tax.

Red Book valuation

A valuation conducted in compliance with the valuation standards of the Royal Institution of Chartered Surveyors.

Securitisation

A means of raising finance secured on a particular group of assets and the associated cash flows derived from those assets.

Mitchells & Butlers online

Mitchells & Butlers' comprehensive website gives you fast, direct access to a wide range of Company information.

- Downloadable Annual Report and Accounts
- Latest investor news and press releases
- Brand news and offers
- Responsibility policies and review
- Find a local restaurant or pub
- Sign up for latest news

To find out more go to www.mbplc.com



Our brands

All of our popular brands have their own websites, helping our customers to find the information they need straight away. Latest food and drink menus, news and offers, email newsletters and details of new openings are all available.

Alex

www.alexgastro.de

All Bar One

www.allbarone.co.uk

Browns

www.browns-restaurants.co.uk

Castle

www.mbplc.com/findapub

Crown Carveries

www.crowncarveries.co.uk

Ember Inns

www.emberinns.co.uk

Harvester

www.harvester.co.uk

Innkeeper's Lodge

www.innkeeperslodge.co.uk

Miller & Carter

www.millerandcarter.co.uk

Nicholson's

www.nicholsonspubs.co.uk

O'Neill's

www.oneills.co.uk

Oak Tree Pubs

www.mbplc.com/findapub

Premium Country Pubs

www.mbplc.com/findapub

Sizzling Pubs

www.sizzlingpubs.co.uk

Toby Carvery

www.tobycarvery.co.uk

Vintage Inns

www.vintageinn.co.uk



Design and production: Gather
Printed by: CPI Colour

The paper used in this Report is derived from sustainable sources

CarbonNeutral printing company



Mitchells & Butlers plc
27 Fleet Street
Birmingham B3 1JP
Tel: +44 (0)121 498 4000
Fax: +44 (0)121 233 2246
www.mbplc.com