MITCHELLS & BUTLERS PLC
LEI no: 213800JHYNDNB1NS2W10

16 May 2018

HALF YEAR RESULTS

(For the 28 weeks ended 14 April 2018)

- **Sustained like-for-like sales outperformance**
- **Fresh wave of initiatives to further transform the business**

Financial performance
- Like-for-like sales[a] growth of 1.6%; growth adjusted for impact of snow of 2.5%
- Like-for-like sales[a] growth of 5.8% over Easter weekend which moves into the first half
- Adjusted operating profit[a] of £141m (H1 2017 £149m)
- Adjusted earnings per share[a] of 13.9p (H1 2017 15.2p)

Strategic progress
- Completed 224 capital projects as part of 6-7 year cycle; 100th Miller and Carter opened
- Improved customer satisfaction; net promoter score up 5 points
- Digital penetration increased; 120k online bookings per week (H1 2017 80k)

Reported results
- Total revenue of £1,130m (H1 2017 £1,123m)
- Operating profit of £137m (H1 2017 £145m)
- Profit before tax of £69m (H1 2017 £75m)
- Basic earnings per share of 13.0p (H1 2017 13.7p)

Balance sheet and cash flow
- Capital expenditure of £104m (H1 2017 £93m), including 4 new site openings and 220 conversions and remodels (H1 2017 172)
- Adjusted free cash flow of £(3)m[a] (H1 2017 £(18)m)
- Net debt of £1.72bn (H1 2017 £1.83bn) representing 4.1 times adjusted EBITDA[a] (H1 2017 4.3 times)

Phil Urban, Chief Executive, commented:

"During the first half we continued to deliver like-for-like sales growth against a period of growth last year. This strong performance comes from the progress we continue to make in our three priority areas: building a more balanced business; instilling a more commercial culture; and driving an innovation agenda.

Success in this highly competitive market is dependent on a continuous stream of improvements, and that is what we are focused on delivering. We have therefore embarked upon a new wave of initiatives which are in their early stages of development, and we believe have the potential to further transform the business.

As previously announced, margins are being adversely impacted by increased costs, most notably from wage inflation, property costs, energy and food and drink costs. In light of this, our operational teams have performed well to deliver flat underlying profitability[b] in the period."

Definitions

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

b – The period was impacted by one off adjusted operating profit items which are explained in the operating margin section of the Financial Review.

There will be a presentation today for analysts and investors at 9.30am at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. A live webcast of the presentation will be available at www.mbplc.com. The presentation will also be accessible by phone: 020 3059 5868 and quote "Mitchells & Butlers". The replay will be available until 23 May 2018 on 0121 260 4862 replay access pin 386401#.

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

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Notes to editors:

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

BUSINESS REVIEW

We remain focused on our three strategic priorities; to build a more balanced business, to instil a more commercial culture and to drive an innovation agenda. We are pleased with further progress against actions implemented in the previous financial year which is translating into a sustained improvement in sales performance. We have also embarked upon a new wave of initiatives covering sales and service, labour, stock, external spend, menus and pricing, return on investment, digital marketing and stock and cash leakage which are in their early stages of development, and we believe have the potential to further transform the business. We believe that success in our market is dependent on a continuous stream of improvements, and that is what we are focused on delivering.

The benefits of actions taken are evident in our sales performance, with like-for-like sales[a] growth in the first half of 1.6%. Like-for-like sales are now growing on prior year growth and remain consistently ahead of the wider market, as measured by the Peach tracker. The long Easter weekend in particular was encouraging, with like for like sales[a] growth of 5.8%. However, the first half was also punctuated by periods of exceptionally bad weather, including widespread snow, which we estimate has cost c.£12m in lost sales and impacted the half year growth by 0.9ppts. In the first 32 weeks of the year like-for-like sales[a] have grown by 1.4%.

Whilst cost pressures continue to impact the industry we believe the progress made across the business both in streamlining operations and the consistent improvement in like-for-like sales[a] growth positions the Company to be able to build on the momentum gained and to return to profitable growth in the mid-term.

THE EXTERNAL ENVIRONMENT

The macro environment we operate in remains challenging. Consumer confidence has remained low and this, compounded by inflation growing at a higher rate than wages, has resulted in a reduction in consumers' disposable income. In our market, despite these challenges, demand has been relatively resilient for now. Turnover in the eating out market grew by 1.7% in the last calendar year with the frequency with which people eat out remaining flat.

However, increased supply over recent years has created a highly competitive environment, particularly in the food led sector. Although net supply has slowed in the past year the overall result of increased new entrants is that c.4,000 more restaurants were open at the end of 2017 than in 2013. The rate of growth in supply has been higher than growth in demand, making the acquisition of market share vital to growth. Due to the heightened competition for consumer occasions we have seen an increased level and depth of discounting in the market, putting further pressure on margins.

Quality of experience is ever more important in this competitive environment, with good quality food and drink no longer being enough to meet consumers' expectations. This sets the context for our ongoing brand development which aims to keep our brands front of mind for guests. We continue to monitor our prices carefully and challenge our thinking in this area through innovative workstreams. Where appropriate we are focused on enabling guests to premiumise their experience through enhanced product options and menus, thus growing the total spend on a given occasion. In addition, we are placing further emphasis on the overall guest experience which will encourage our customers to keep coming back to our brands, supported by investment in staff training which underpins the complete experience.

Cost inflation continues to impact the sector, hence the importance of maintaining our focus on efficiency and driving profitable sales growth. We believe that success requires trustworthy brands offering high quality experiences at the right price to generate sufficient sales growth to mitigate cost headwinds and grow profitability.

OUR PRIORITIES

Building a more balanced business

Our priority continues to be to maximise value creation from our estate of around 1,700 largely freehold sites. Value is unlocked by ensuring optimal brand fit to the local market in each site with improved amenity standards and we are continuing with the execution of our estate plan to achieve this goal.

Good progress has been made in the first half in this area. We accelerated the capital programme, completing 220 conversion, remodel and growth projects, versus 172 in the first half last year. The aim of completing projects earlier is to capture more of the post investment benefit in year, however it does result in a greater number of closure weeks in the first half of the year. To minimise the impact we have been working hard to reduce closure time required for investment through operational efficiency and by working closely with suppliers to streamline work. We continue to focus on the upgrade of amenities across the estate through our remodel programme and are generating returns of over 20% on projects completed this year.

The quantity of projects completed means that we are now within our targeted 6-7 year investment cycle, and we are reaching the tipping point in terms of reducing the proportion of the estate which has not been invested in for 7 years or more.

We also opened our 100th Miller & Carter, a brand which continues to perform very well in a variety of geographies and site types, and whose expansion we plan to continue.

Instilling a more commercial culture

In the current environment a relentless focus on commerciality is essential. We have made good headway in instilling a more commercial culture across the organisation over the past two years and further progress is still being made.

The upgraded labour system rolled out last financial year is delivering benefits. The new system enables managers to plan their labour more effectively according to the trading pattern of their individual business, and to review scheduled and actual labour deployment accuracy versus the system's ideal standard. The result has been improved efficiency, with more team members working when we need them and fewer in quieter times.

Last financial year we also began the upgrade of our stock management system, the implementation and roll out of which has continued into the current financial year. The new system will help managers to reduce waste, dramatically reduce the time taken to complete stock takes, whilst benefitting guests through reduced instances of stock unavailability. This introduces a change in the way we manage stock and we anticipate significant cost savings once the system is fully embedded.

Appropriate pricing is critical to success in a competitive environment. We review pricing in the context of the local market in which our businesses operate and work hard to ensure that we are competitively priced in all of our sites. The flexibility for guests to premiumise their experience through enhanced products and menus is a key part of our strategy. We have been making further progress in this area through brand offer development, ensuring an appropriate stretch in the range of items within all of our brands as well as exploring and developing the way in which the offer is presented to guests though menu layout.

In the face of the tough inflationary cost environment we continue to leverage our scale through central procurement and fine tune processes to ensure that maximum efficiency can be achieved. By working closely with our suppliers we are able to find new ways to leverage our scale and increase efficiency resulting in both cost savings and improved processes for our managers.

Drive an innovation agenda

We continue to drive our innovation agenda by working to improve our technological and digital capability, and developing new products and concepts to benefit from changing consumer behaviour which presents an opportunity to develop and enhance the way we communicate with guests.

Our digital interaction with guests ranges from online bookings and take-away orders to feedback both through a number of third party social channels and our brand apps. The data captured from the digital interaction enables us to be more targeted in our communication and to tailor our message to suit individual guest behaviour and preferences.

The demand for food delivery in the industry has remained in growth, with delivery aggregators taking increasing market share. Although delivery remains a relatively small part of what we do, we are working with Deliveroo and JustEat to expand our presence within this growing market with 109 sites now live. Recent trials with JustEat have also enabled us to explore the potential of click and collect, presenting an opportunity to participate directly in this market through take-away.

Guests increasingly expect to use technology as part of their experience in site. To facilitate this we have rolled out an online payment option across all of our brands, which allows guests to view and pay their bill from their mobile device with the option to split the cost amongst a group. We will also be trialling wireless charging across a selection of our All Bar One locations, with the facility being made available to guests who have downloaded the brand app. In addition, we have been trialling our mobile order facility in three sites in O'Neill's, which allows guests to both order and pay for food and drinks from their mobile device within site, without approaching the bar. Early evidence suggests that guests appreciate the ease with which orders can be placed with this facility allowing us to be more efficient during busy times.

We continue to focus on responding quickly and personally to guest feedback through online channels and are seeing the benefit of this work through our NPS score which has increased to 61, up 5 points from this time last year. We now respond to 90% of all social media comments which we believe is driving the benefit in our reputation with guests.

Last financial year we launched two new concepts, Chicken Society and Son of Steak, both of which are generating very positive customer feedback. These concepts remain in incubation whilst we refine the offers and we are pleased with the progress being made. The creation of new offers was important to breed an innovation ethos across the business and is something which has translated to existing brands in terms of offer development. For example, All Bar One has recently released a new menu including a larger range of healthy dishes, including vegan options, using the expertise of our company nutritionist. This sort of brand development is ongoing across the business to help keep brands relevant to their consumer groups.

OUR PEOPLE

People are at the heart of our business and we rely on our team members to deliver the experiences which make our guests want to return to our brands. As such we have been working hard in a number of areas and are pleased that engagement scores continued to strengthen across all cohorts.

We have developed and launched an online portal called MABLE which employs the principles of gamification to evolve the way in which we provide training and development to staff members. The portal includes training materials which staff can access at a time and place to suit them, allows us to communicate individually with all staff members and also includes a social element. The platform attracted the Learning & Performance Institute gold award for digital transformation.

Due to the impact that Brexit is likely to have on the free movement of people into the UK we have a need to ensure that we can access alternative talent pools. Whilst the proportion of our people who are non-British EU is relatively low at 13%, some brands and geographies would be more impacted than others and it is important that we address the issue. We have been investing in our apprenticeship programme which we believe will play an important part in developing the talent we need to drive our business forward in the future. We have a total of 1,600 apprentices in active learning, providing access to career paths across all sectors of the business. We were delighted to be awarded the Best Early in Careers Programme at the National HR Distinction Event in February this year as well as collecting the award for the Overall Best Place to Work award

OUTLOOK

Since the half-year trading has been strong, aided by good weather, and like-for-like sales[a] in the 32 weeks to 12 May have grown by 1.4%.

We have made good progress against our three priorities so far this year and will be refining and embedding our next wave of initiatives during the second half. In this uncertain environment and in the face of unrelenting cost headwinds our focus remains on delivering our strategy with the aim of returning the company to profitable growth and maximising long-term shareholder value.

FINANCIAL REVIEW

On a statutory basis, profit before tax for the period was £69m (H1 2017 £75m), on sales of £1,130m (H1 2017 £1,123m).

The Group Income Statement discloses adjusted profit[a] and earnings per share[a] information that excludes separately disclosed items to allow a better understanding of the adjusted trading of the Group.

At the end of the period, the total estate comprised 1,691 managed businesses and 59 franchised businesses, in the UK and Germany.

Changes in accounting policies

There have been no changes in accounting policies in the period.

Revenue

The Group's total revenues of £1,130m were 0.6% higher than the first half last year, with growth in like-for-like sales partially offset by the impact of disposals made in the previous financial year.

Total like-for-like sales[a] grew by 1.6% in the first half with food sales up by 1.8% and drink sales by 1.4%. Growth was positively impacted by the timing of Easter which fell in the second half of last year. However, trade was negatively impacted by adverse weather which impacted sales growth by an estimated £12m in the period as a whole. Adjusting for this impact, like-for-like sales would have increased by 2.5%. Volumes of food and drink fell 3.6% and 2.3% respectively with average spend per item on food up 5.7%, and average drink spend up 3.8% both reflecting the impact of the increasing premiumisation of the estate.

Like-for-like sales[a] for the 32 weeks to 12 May, which are not impacted by the timing of Easter, were up by 1.4%.

Like-for-like sales[a] growth:	**Week 1 – 14**	**Week 1 – 28**	**Week 1 – 32**
	FY 2018	**FY 2018**	**FY 2018**
Food	1.4%	1.8%	1.0%
Drink	1.0%	1.4%	1.9%
Total	1.1%	1.6%	1.4%

Separately disclosed items

Separately disclosed items comprise £1m net profit arising on disposal of property and a £5m charge for impairment of a small number of short leasehold properties.

Operating profit and margins

Adjusted operating profit[a] for the first half was £141m, 5.4% lower than the same period last year. The period was adversely impacted by an estimated £8m due to weather in addition to disposals made last year (£2m) and closure cost from acceleration of our capital programme (£2m). These are partly mitigated by the movement of Easter into the first half, with an estimated timing benefit of £4m. Adjusting for these items illustrates underlying profits were broadly flat in the first half.

Inflationary cost pressures remain, particularly on labour, utilities, property costs, energy, food and drink costs. These are anticipated to remain at similar levels through the second half and into next year.

Adjusted operating margin of 12.5% was 0.8ppts lower than last year.

Interest

Net finance costs of £68m were £2m lower than in the first half last year, reflecting the continued reduction in Group securitised borrowings.

For the current financial year we expect the full year pensions finance charge to be around £7m (FY 2017 £7m).

Earnings per share

Basic earnings per share, after the separately disclosed items described above, were 13.0p (H1 2017 13.7p). Adjusted earnings per share[a] were 13.9p, 8.6% lower than last year. The weighted average number of shares in the period of 424m has increased due to the issue of shares as scrip dividends. The total number of shares issued at the date of announcement is 428m.

Cash flow and net debt

The cash flow statement below excludes a net £6m outflow on unsecured revolving facilities (H1 2017 inflow of £6m).

	H1 2018 £m	**H1 2017 £m**
Operating cash flow before adjusted items, movements in working capital and additional pension contributions[a]	208	212
Working capital movement and other	32	(2)
Pension deficit contributions	(23)	(23)
Cash flow from operations before adjusted items	**217**	**187**
Capital expenditure	(104)	(93)
Interest	(60)	(60)
Tax	(13)	(11)
Disposals	4	1
Cash flow before adjusted items	**44**	**24**
Mandatory bond amortisation	(40)	(38)
Net cash flow before dividends	**4**	**(14)**
Dividend	(7)	(4)
Net free cash flow[a]	**(3)**	**(18)**

The business generated £208m of operating cash flow from before adjusted items, movements in working capital and addition pension contributions from trading in the first half.

The cash inflow from working capital movement is due largely to the unwinding of the 53rd week trading in the previous year impacting the timing of scheduled payments within the first half. Capital expenditure of £104m is higher than last year due to the accelerated capital programme.

The cash dividend payment is higher than last year due to lower uptake of the scrip dividend issue and after bond amortisation there was a net free cash outflow of £3m.

Net debt of £1,718m at the half year end (H1 2017 £1,825m), represented 4.1 times adjusted EBITDA[a] (H1 2017 4.3 times).

Capital expenditure

Total maintenance and infrastructure capex of £29m was £5m higher than last year, with £3m of the additional spend in relation to investment in technology and systems.

During the period we have continued to increase return generating capital expenditure through remodelling or converting 220 sites (H1 2017: 172 sites) and opening 4 new sites (H1 2017: 6 sites). Conversions and acquisitions were primarily focused on premiumisation, with conversions to Miller & Carter and Stonehouse and acquisitions of All Bar One (2) and Miller & Carter (2) sites.

The EBITDA return on all freehold and leasehold conversion and acquisition capital invested since the start of the previous financial year is in excess of 19% and returns on remodel projects are over 20%.

	H1 2018		**H1 2017**	
	£m	**#**	**£m**	**#**
Maintenance and infrastructure	**29**		**24**	
Remodels - refurb	51	181	24	101
Remodels – expansionary	5	13	9	22
Conversions	16	26	24	49
Acquisitions – freehold	-	-	-	-
Acquisitions – leasehold	3	4	12	6
Total return generating capital expenditure	**75**	**224**	**69**	**178**
Total capital expenditure	**104**		**93**	

Pensions

The Company continues to make pensions deficit payments as agreed as part of the triennial pensions valuation with the scheme trustees at 31 March 2016, which showed an asset funding shortfall at that time of £451m. The deficit will be funded by cash contributions of £46m per annum indexed to 2023, as per the agreement reached in 2013.

In 2024 an additional payment of £13m will be made into escrow, should such further funding be required at that time.

Dividends

As previously advised the Board is not declaring an interim dividend but will make an assessment of pay-out at the end of the year based on a full year of trading and development of the sector outlook. As previously set out, in making this assessment the Board considers investment to maintain the condition and competitiveness of the existing estate to be of primary importance for the long-term health of the business and would not expect to see a structural, or permanent, increase in the use of short term facilities.

Risk factors and uncertainties

The risks and uncertainties that affect the company remain unchanged and are set out on pages 36 – 40 of the 2017 Annual report and accounts which is available on the Mitchells & Butlers website at www.mbplc.com.

Definitions

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 15 May 2018 and is signed on its behalf by Tim Jones, Finance Director.

GROUP CONDENSED INCOME STATEMENT
for the 28 weeks ended 14 April 2018

	Notes	**2018 28 weeks (Unaudited) Before separately disclosed items[a] £m**	**2018 28 weeks (Unaudited) Total £m**	2017 28 weeks (Unaudited) Before separately disclosed items[a] £m	2017 28 weeks (Unaudited) Total £m	2017 53 weeks (Audited) Before separately disclosed items[a] £m	2017 53 weeks (Audited) Total £m
Revenue	2	**1,130**	**1,130**	1,123	1,123	2,180	2,180
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio		**(924)**	**(924)**	(913)	(913)	(1,751)	(1,786)
Net profit arising on property disposals		**-**	**1**	-	-	-	1
EBITDA[b]	2	**206**	**207**	210	210	429	395
Depreciation, amortisation and movements in the valuation of the property portfolio		**(65)**	**(70)**	(61)	(65)	(115)	(187)
Operating profit	2	**141**	**137**	149	145	314	208
Finance costs	4	**(65)**	**(65)**	(66)	(66)	(125)	(125)
Finance revenue	4	**1**	**1**	-	-	1	1
Net pensions finance charge	4,11	**(4)**	**(4)**	(4)	(4)	(7)	(7)
Profit before tax		**73**	**69**	79	75	183	77
Tax expense	5	**(14)**	**(14)**	(16)	(18)	(37)	(14)
Profit for the period		**59**	**55**	63	57	146	63
Earnings per ordinary share:	6						
Basic		**13.9p**	**13.0p**	15.2p	13.7p	34.9p	15.1p
Diluted		**13.8p**	**12.9p**	15.2p	13.7p	34.8p	15.0p

a Separately disclosed items are explained in note 1 and analysed in note 3.
b Earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio.

All results relate to continuing operations.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the 28 weeks ended 14 April 2018

	Notes	**2018 28 weeks £m (Unaudited)**	2017 28 weeks £m (Unaudited)	2017 53 weeks £m (Audited)
Profit for the period		**55**	57	63
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of the property portfolio		**-**	-	74
Remeasurement of pension liability	11	**3**	3	8
Tax relating to items not reclassified	5	**4**	4	(13)
		7	7	69
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		**-**	-	1
Cash flow hedges:				
- (Losses)/Gains arising during the period		**(5)**	55	60
- Reclassification adjustments for items included in profit or loss		**33**	12	53
Tax relating to items that may be reclassified	5	**(5)**	(11)	(19)
		23	56	95
Other comprehensive income after tax		**30**	**63**	**164**
Total comprehensive income for the period		**85**	**120**	**227**

GROUP CONDENSED BALANCE SHEET

14 April 2018

ASSETS	Notes	**2018 14 April £m (Unaudited)**	2017 8 April £m (Unaudited)	2017 30 September £m (Audited)
Goodwill and other intangible assets	8	**10**	8	10
Property, plant and equipment	8	**4,464**	4,407	4,429
Lease premiums		**1**	2	1
Deferred tax asset		**100**	125	110
Derivative financial instruments	12	**26**	61	41
Total non-current assets		**4,601**	4,603	4,591
Inventories		**27**	26	24
Trade and other receivables		**44**	41	53
Other cash deposits	9	**120**	120	120
Cash and cash equivalents	9	**138**	146	147
Derivative financial instruments	12	**3**	3	2
Assets held for sale		**-**	43	1
Total current assets		**332**	379	347
Total assets		**4,933**	4,982	4,938
LIABILITIES				
Pension liabilities	11	**(48)**	(46)	(47)
Trade and other payables		**(324)**	(302)	(297)
Current tax liabilities		**(3)**	(14)	(3)
Borrowings	9	**(231)**	(261)	(235)
Derivative financial instruments	12	**(40)**	(44)	(43)
Total current liabilities		**(646)**	(667)	(625)
Pension liabilities	11	**(223)**	(270)	(245)
Borrowings	9	**(1,775)**	(1,894)	(1,827)
Derivative financial instruments	12	**(225)**	(295)	(249)
Deferred tax liabilities		**(316)**	(322)	(324)
Provisions		**(43)**	(9)	(42)
Total non-current liabilities		**(2,582)**	(2,790)	(2,687)
Total liabilities		**(3,228)**	(3,457)	(3,312)
Net assets		**1,705**	1,525	1,626
EQUITY				
Called up share capital		**37**	36	36
Share premium account		**25**	26	26
Capital redemption reserve		**3**	3	3
Revaluation reserve		**1,201**	1,142	1,202
Own shares held		**(1)**	(1)	(1)
Hedging reserve		**(221)**	(282)	(244)
Translation reserve		**14**	13	14
Retained earnings		**647**	588	590
Total equity		**1,705**	1,525	1,626

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 14 April 2018

	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 24 September 2016 (Audited)	**35**	**27**	**3**	**1,142**	**(1)**	**(338)**	**13**	**527**	**1,408**
Profit for the period	-	-	-	-	-	-	-	57	**57**
Other comprehensive income	-	-	-	-	-	56	-	7	**63**
Total comprehensive income	-	-	-	-	-	56	-	64	**120**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Dividends paid (note 7)	-	-	-	-	-	-	-	(4)	**(4)**
Scrip dividend related share issue (note 7)	1	(1)	-	-	-	-	-	-	**-**
At 8 April 2017 (Unaudited)	**36**	**26**	**3**	**1,142**	**(1)**	**(282)**	**13**	**588**	**1,525**
Profit for the period	-	-	-	-	-	-	-	6	**6**
Other comprehensive income	-	-	-	61	-	38	1	1	**101**
Total comprehensive income	-	-	-	61	-	38	1	7	**107**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Dividends paid (note 7)	-	-	-	-	-	-	-	(8)	**(8)**
Revaluation reserve realised on disposal of properties	-	-	-	(1)	-	-	-	1	**-**
Tax on share-based payments taken directly to equity	-	-	-	-	-	-	-	1	**1**
At 30 September 2017 (Audited)	**36**	**26**	**3**	**1,202**	**(1)**	**(244)**	**14**	**590**	**1,626**
Profit for the period	-	-	-	-	-	-	-	55	**55**
Other comprehensive income	-	-	-	-	-	23	-	7	**30**
Total comprehensive income	-	-	-	-	-	23	-	62	**85**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Dividends paid (note 7)	-	-	-	-	-	-	-	(7)	**(7)**
Revaluation reserve realised on disposal of properties	-	-	-	(1)	-	-	-	1	**-**
Scrip dividend related share issue (note 7)	1	(1)	-	-	-	-	-	-	**-**
At 14 April 2018 (Unaudited)	**37**	**25**	**3**	**1,201**	**(1)**	**(221)**	**14**	**647**	**1,705**

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 14 April 2018

	Notes	**2018 28 weeks £m (Unaudited)**	2017 28 weeks £m (Unaudited)	2017 53 weeks £m (Audited)
Cash flow from operations				
Operating profit		**137**	145	208
Add back: adjusted items		**4**	4	106
Operating profit before adjusted items		**141**	149	314
Add back:				
Depreciation of property, plant and equipment		**64**	60	113
Amortisation of intangibles		**1**	1	2
Cost charged in respect of share-based payments		**1**	1	2
Administrative pension costs	11	**1**	1	2
Operating cash flow before adjusted items, movements in working capital and additional pension contributions		**208**	212	433
(Increase)/decrease in inventories		**(3)**	(1)	1
Decrease/(increase) in trade and other receivables		**9**	(9)	(20)
Increase in trade and other payables		**25**	8	7
Increase/(decrease) in provisions		**1**	-	(2)
Additional pension contributions	11	**(23)**	(23)	(46)
Cash flow from operations before adjusted items		**217**	187	373
Interest paid		**(61)**	(60)	(122)
Interest received		**1**	-	1
Tax paid		**(13)**	(11)	(26)
Net cash from operating activities		**144**	116	226
Investing activities				
Purchases of property, plant and equipment		**(103)**	(93)	(166)
Purchases of intangible assets		**(1)**	-	(3)
Proceeds from sale of property, plant and equipment		**4**	1	46
Net cash used in investing activities		**(100)**	(92)	(123)
Financing activities				
Dividends paid (net of scrip dividend)	7	**(7)**	(4)	(12)
Repayment of principal in respect of securitised debt	10	**(40)**	(38)	(77)
Net movement on unsecured revolving credit facilities	10	**(6)**	6	(25)
Net cash used in financing activities		**(53)**	(36)	(114)
Net decrease in cash and cash equivalents	10	**(9)**	(12)	(11)
Cash and cash equivalents at the beginning of the period		**147**	158	158
Cash and cash equivalents at the end of the financial period		**138**	146	147

Cash and cash equivalents are defined in note 9.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The information for the 53 weeks ended 30 September 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. This interim financial information should be read in conjunction with the Annual Report and Accounts 2017.

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2017.

Going Concern
The Group's available secured debt and unsecured bank facilities, combined with the strong cash flows generated by the business, support the Directors' view that the Group has sufficient facilities available to it to meet its foreseeable working capital requirements. The Directors have concluded therefore that the going concern basis remains appropriate.

2. 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 EBITDA and profit before interest and adjusted items (operating profit pre-adjustments) as the key measures 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		
	2018 28 wks £m	2017 28 wks £m	2017 53 wks £m	**2018 28 wks £m**	2017 28 wks £m	2017 53 wks £m	**2018 28 wks £m**	2017 28 wks £m	2017 53 wks £m
Revenue	**1,130**	1,123	2,180	**-**	-	-	**1,130**	1,123	2,180
EBITDA pre-adjustments	**95**	95	213	**111**[a]	115[a]	216[a]	**206**	210	429
Operating profit pre-adjustments	**37**	41	111	**104**	108	203	**141**	149	314
Separately disclosed items (note 3)							**(4)**	(4)	(106)
Operating profit							**137**	145	208
Net finance costs							**(68)**	(70)	(131)
Profit before tax							**69**	75	77
Tax expense							**(14)**	(18)	(14)
Profit for the period							**55**	57	63

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

3. SEPARATELY DISCLOSED ITEMS

In addition to presenting information on an IFRS basis, the Group also presents adjusted profit and earnings per share information that excludes separately disclosed items and the impact of any associated tax. This adjusted information is disclosed to allow a better understanding of the adjusted trading performance of the Group and is consistent with the Group's internal management reporting.

Separately disclosed 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, significant movements in the onerous lease provision, restructuring costs and effects of corporation tax rate change.

Further information is available in the Annual Report and Accounts 2017.

	Notes	**2018 28 weeks £m**	2017 28 weeks £m	2017 53 weeks £m
Adjusted items				
Net profit arising on property disposals	a	**1**	-	1
Movement in the valuation of the property portfolio:	b			
- Impairment arising from the revaluation	b	**-**	-	(51)
- Impairment of short leasehold and unlicensed properties	b	**(5)**	-	(17)
- Impairment of assets held for sale	b	**-**	(4)	(4)
Net movement in the valuation of the property portfolio		**(5)**	(4)	(72)
Other adjusted items:				
Onerous lease provision additions	c	**-**	-	(35)
Total adjusted items before tax		**(4)**	(4)	(106)
Tax credit relating to the above items		**-**	-	23
Tax adjustments in respect of prior periods		**-**	(2)	-
Total adjusted items after tax		**(4)**	(6)	(83)

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

b Movement in the valuation of the property portfolio includes impairment of short leasehold and unlicensed properties, impairment arising from the property valuation and impairment recognised on reclassification of property, plant and equipment to assets held for sale. The total movement is disclosed separately, due to the size of the movement in each accounting period. The movement is also not considered to be part of the adjusted trade performance of the Group.

c During the period ended 30 September 2017, a review of estate strategy in relation to managed leasehold sites was completed, with specific focus on the challenges around loss-making sites and those located on retail and leisure parks. The losses were considered unavoidable for the remaining committed lease term. In addition, the discount rate applied in the calculation was updated. As a result, the onerous lease provision was increased significantly with the majority of this increase recognised as a separately disclosed item.

All separately disclosed items relate to continuing operations.

4. FINANCE COSTS AND FINANCE REVENUE

	2018 28 weeks £m	2017 28 weeks £m	2017 53 weeks £m
Finance costs			
Interest on securitised debt	**(62)**	(64)	(120)
Interest on other borrowings	**(3)**	(2)	(4)
Unwinding of discount on provisions	**-**	-	(1)
Total finance costs	**(65)**	(66)	(125)
Finance revenue			
Interest receivable – cash	**1**	-	1
Net pensions finance charge (note 11)	**(4)**	(4)	(7)

5. TAXATION

The taxation charge for the 28 weeks ended 14 April 2018 has been calculated by applying an estimate of the annual effective tax rate before adjusted items of 19.6% (2017 28 weeks, 19.9%).

Tax charged in the income statement	**2018 28 weeks £m**	2017 28 weeks £m	2017 53 weeks £m
Current tax:			
- UK corporation tax	**(12)**	(14)	(20)
- Amounts (under)/over provided in prior periods	**(1)**	-	3
Total current tax charge	**(13)**	(14)	(17)
Deferred tax:			
- Origination and reversal of temporary differences	**(2)**	(2)	7
- Adjustments in respect of prior periods	**1**	(2)	(4)
Total deferred tax (charge)/credit	**(1)**	(4)	3
Total tax charged in the income statement	**(14)**	(18)	(14)
Further analysed as tax relating to:			
Profit before adjusted items	**(14)**	(16)	(37)
Adjusted items	**-**	(2)	23
	(14)	(18)	(14)

5. TAXATION (CONTINUED)

Tax relating to items recognised in other comprehensive income	**2018 28 weeks £m**	2017 28 weeks £m	2017 53 weeks £m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised gains due to revaluations – revaluation reserve	**-**	-	(13)
- Unrealised gains due to revaluations – retained earnings	**5**	5	1
- Remeasurement of pension liability	**(1)**	(1)	(1)
	4	4	(13)
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges:			
- Losses/(gains) arising during the period	**1**	(9)	(10)
- Reclassification adjustments for items included in profit or loss	**(6)**	(2)	(9)
	(5)	(11)	(19)
Total tax charge recognised in other comprehensive income	**(1)**	(7)	(32)

The Finance (No.2) Act 2015 was enacted on 18 November 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balances at 8 April 2017, 30 September 2017 and 14 April 2018.

6. EARNINGS PER SHARE

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

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

Adjusted earnings per ordinary share amounts are presented before adjusted items (see note 3) in order to allow a better understanding of the adjusted trading performance of the Group.

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
28 weeks ended 14 April 2018			
Profit/EPS	**55**	**13.0 p**	**12.9 p**
Adjusted items, net of tax	**4**	**0.9 p**	**0.9 p**
Adjusted profit/EPS	**59**	**13.9 p**	**13.8 p**
28 weeks ended 8 April 2017			
Profit/EPS	57	13.7 p	13.7 p
Adjusted items, net of tax	6	1.5 p	1.5 p
Adjusted profit/EPS	63	15.2 p	15.2 p
53 weeks ended 30 September 2017			
Profit/EPS	63	15.1 p	15.0 p
Adjusted items, net of tax	83	19.8 p	19.8 p
Adjusted profit/EPS	146	34.9 p	34.8 p

6. EARNINGS PER SHARE (CONTINUED)

The weighted average number of ordinary shares used in the calculations above are as follows:

	2018 28 weeks millions	2017 28 weeks millions	2017 53 weeks millions
For basic EPS calculations	**424**	415	418
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	**1**	-	1
- Other share options	**1**		
For diluted EPS calculations	**426**	415	419

7. DIVIDENDS

Declared and paid in the period	28 weeks ended 14 April 2018 Total dividend £m	Settled via scrip £m	Pence per ordinary share
Final dividend – 53 weeks ended 30 September 2017	21	14	5.0
	21	14	

Declared and paid in the period	28 weeks ended 8 April 2017 Total dividend £m	Settled via scrip £m	Pence per ordinary share
Final dividend – 52 weeks ended 24 September 2016	21	17	5.0
	21	17	

Declared and paid in the period	53 weeks ended 30 September 2017 Total dividend £m	Settled via scrip £m	Pence per ordinary share
Interim dividend – 53 weeks ended 30 September 2017	11	3	2.5
Final dividend – 52 weeks ended 24 September 2016	21	17	5.0
	32	20	

The final dividend of 5.0p per ordinary share declared in relation to the 53 weeks ended 30 September 2017 (2016 5.0p) was approved at the Annual General Meeting on 23 January 2018 and was paid to shareholders on 6 February 2018. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme. Of the £21m final dividend, £14m was in the form of the issue of ordinary shares to shareholders opting in to the scrip alternative. The market value per share at the date of payment was 264.4p per share, resulting in the issue of 5 million new shares, fully paid up from the share premium account. The nominal value of the 5 million shares issued in relation to the final scrip dividends is £0.5m.

No interim dividend has been declared during the period.

8. PROPERTY, PLANT AND EQUIPMENT

	2018 14 April £m	2017 8 April £m	2017 30 September £m
At beginning of period	**4,429**	4,423	4,423
Additions	**106**	93	163
(Impairment)/revaluation	**(5)**	(4)	2
Disposals	**(2)**	(2)	(3)
Depreciation provided during the period	**(64)**	(60)	(113)
Transfers to assets held for sale	**-**	(43)	(43)
At end of period	**4,464**	4,407	4,429

The freehold and long leasehold licensed properties were valued at market value as at 30 September 2017 by CBRE, independent Chartered Surveyors. Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment provisions. During the current period, the estate has been reviewed for impairment and material changes in value. This review has resulted in an impairment of £5m in relation to short leasehold properties.

Goodwill and other intangible assets at 14 April 2018 comprises goodwill of £2m (8 April 2017 £2m, 30 September 2017 £2m) and computer software of £8m (8 April 2017 £6m, 30 September 2017 £8m).

Capital commitments
The total amount contracted for but not provided in the financial statements was £17m (8 April 2017 £23m, 30 September 2017 £23m).

9. ANALYSIS OF NET DEBT

	2018 14 April £m	2017 8 April £m	2017 30 September £m
Cash and bank balances	**138**	146	147
Cash and cash equivalents	**138**	146	147
Other cash deposits	**120**	120	120
Securitised debt	**(1,859)**	(1,971)	(1,909)
Liquidity facility	**(147)**	(147)	(147)
Revolving credit facilities	**-**	(37)	(6)
Derivatives hedging balance sheet debt[a]	**30**	64	45
	(1,718)	(1,825)	(1,750)

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

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

9. ANALYSIS OF NET DEBT (CONTINUED)

Securitised debt
The overall cash interest rate payable on the loan notes is fixed at 6.2% (8 April 2017 6.1%, 30 September 2017 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 14 April 2018, Mitchells & Butlers Retail Limited had cash and cash equivalents of £79m (8 April 2017 £101m, 30 September 2017 £97m). Of this amount £1m (8 April 2017 £1m, 30 September 2017 £1m), 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:

	2018 14 April £m	2017 8 April £m	2017 30 September £m
Principal outstanding at beginning of period	**1,911**	1,998	1,998
Principal repaid during the period	**(40)**	(38)	(77)
Exchange on translation of dollar loan notes	**(15)**	9	(10)
Principal outstanding at end of period	**1,856**	1,969	1,911
Deferred issue costs	**(6)**	(6)	(6)
Accrued interest	**9**	8	4
Carrying value at end of period	**1,859**	1,971	1,909

Liquidity facility
Under the terms of the securitisation, the Group holds a liquidity facility of £295m provided by two counterparties. As a result of the decrease in credit rating of one of the counterparties, the Group was obliged to draw that counterparty's portion of the facility during the 52 weeks ended 27 September 2014. The amount drawn at 14 April 2018 is £147m (8 April 2017 £147m, 30 September 2017 £147m). These funds are charged under the terms of the securitisation and are not available for use in the wider Group.

Unsecured revolving credit facilities
The Group holds three unsecured committed revolving credit facilities of £50m each and uncommitted revolving credit facilities of £15m, available for general corporate purposes. The amount drawn at 14 April 2018 is £nil (8 April 2017 £37m, 30 September 2017 £6m). All committed facilities expire on 31 December 2020.

10. MOVEMENT IN NET DEBT

	2018 28 weeks £m	2017 28 weeks £m	2017 53 weeks £m
Net decrease in cash and cash equivalents	**(9)**	(12)	(11)
Add back cash flows in respect of other components of net debt:			
- Repayment of principal in respect of securitised debt	**40**	38	77
- Net movement on unsecured revolving facilities	**6**	(6)	25
Decrease in net debt arising from cash flows	**37**	20	91
Movement in capitalised debt issue costs net of accrued interest	**(5)**	(5)	(1)
Decrease in net debt	**32**	15	90
Opening net debt	**(1,750)**	(1,840)	(1,840)
Closing net debt	**(1,718)**	(1,825)	(1,750)

11. PENSIONS

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

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

Measurement of scheme assets and liabilities

Actuarial valuation
The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the actuarial valuation carried out at 31 March 2016 and updated by the schemes' independent qualified actuaries to 14 April 2018. Scheme assets are stated at market value at 14 April 2018 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the scheme liabilities are discounted using market yields at the end of the period on high quality corporate bonds.

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

	2018 14 April	2017 8 April	2017 30 September
Pensions increases	**3.0%**	3.1%	3.1%
Discount Rate	**2.8%**	2.5%	2.7%
Inflation (RPI)	**3.1%**	3.3%	3.2%

11. PENSIONS (CONTINUED)

The mortality assumptions were reviewed following the 2016 actuarial valuation and remain unchanged from the prior period. A summary of the average life expectancies assumed are as follows:

	2018 14 April	2017 8 April	2017 30 September
Implied life expectancies from age 65:			
- MABPP male currently 45	**22.9 years**	24.3 years	22.9 years
- MABEPP male currently 45	**25.5 years**	27.6 years	25.5 years
- MABPP female currently 45	**25.4 years**	26.9 years	25.4 years
- MABEPP female currently 45	**27.8 years**	29.1 years	27.8 years

Minimum funding requirements
The results of the 2016 actuarial valuation showed a funding deficit of £451m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 (revised). The Company has subsequently agreed recovery plans for both the Executive and Main schemes in order to close the funding deficit in respect of its pension liabilities. Agreement was reached with the Trustees in relation to the Executive plan on 30 June 2017 and the Main plan on 25 July 2017. In the intervening period, the Group continued to make contributions in line with the previous agreements. The agreed recovery plans show an unchanged level of cash contributions with no extension to the agreed payment term (£45m per annum indexed with RPI from 1 April 2016 subject to a minimum increase of 0% and maximum of 5%, until 31 March 2023). 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.

Amounts recognised in respect of pension schemes

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

Group income statement	**2018 28 weeks**	2017 28 weeks	2017 53 weeks
	£m	£m	£m
Operating profit			
Employer contributions (defined contribution plans)	**(4)**	(3)	(7)
Administrative costs (defined benefit plans)	**(1)**	(1)	(2)
Charge to operating profit	**(5)**	(4)	(9)
Finance costs			
Net pensions finance income/(charge) on actuarial deficit	**3**	(2)	(4)
Additional pensions finance charge due to minimum funding	**(7)**	(2)	(3)
Net pensions finance charge	**(4)**	(4)	(7)
Total charge	**(9)**	(8)	(16)

Group statement of comprehensive income	**2018 28 weeks**	2017 28 weeks	2017 53 weeks
	£m	£m	£m
Return on scheme assets and effects of changes in assumptions	**85**	134	337
Movement in pension liability due to minimum funding	**(82)**	(131)	(329)
Remeasurement of pension liability	**3**	3	8

11. PENSIONS (CONTINUED)

Group balance sheet	2018 14 April £m	2017 8 April £m	2017 30 September £m
Fair value of scheme assets	**2,407**	2,444	2,390
Present value of scheme liabilities	**(2,127)**	(2,496)	(2,219)
Actuarial surplus/(deficit) in the schemes	**280**	(52)	171
Additional liability recognised due to minimum funding	**(551)**	(264)	(463)
Total pension liability	**(271)**	(316)	(292)
Associated deferred tax asset	**46**	54	50

a. The total pension liability of £271m (8 April 2017 £316m, 30 September 2017 £292m) is represented by a £48m current liability (8 April 2017 £46m, 30 September 2017 £47m) and a £223m non-current liability (8 April 2017 £270m, 30 September 2017 £245m).

Movements in the total pension liability are analysed as follows:

	2018 14 April £m	2017 8 April £m	2017 30 September £m
At beginning of period	**(292)**	(337)	(337)
Administration costs	**(1)**	(1)	(2)
Net pensions finance charge	**(4)**	(4)	(7)
Employer contributions	**23**	23	46
Remeasurement of pension liability	**3**	3	8
At end of period	**(271)**	(316)	(292)

12. FINANCIAL INSTRUMENTS

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

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

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

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 14 April 2018				
Financial assets				
Currency swaps	**-**	**29**	**-**	**29**
Financial liabilities				
Interest rate swaps	**-**	**(265)**	**-**	**(265)**
	-	**(236)**	**-**	**(236)**

12. FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 8 April 2017				
Financial assets				
Currency swaps	-	64	-	64
Financial liabilities				
Interest rate swaps	-	(339)	-	(339)
	-	(275)	-	(275)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 30 September 2017				
Financial assets				
Currency swaps	-	43	-	43
Financial liabilities				
Interest rate swaps	-	(292)	-	(292)
	-	(249)	-	(249)

13. RELATED PARTY TRANSACTIONS

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

INDEPENDENT REVIEW REPORT TO MITCHELLS & BUTLERS PLC

We have been engaged by the Company to review the condensed set of financial information in the half-yearly financial report for the 28 week period ended 14 April 2018 which comprises the Group condensed income statement, the Group condensed statement of comprehensive income, the Group condensed balance sheet, the Group condensed statement of changes in equity, the Group condensed cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 14 April 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, UK
15 May 2018

Alternative Performance Measures

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

The Group's results are presented both before and after separately disclosed items. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of separately disclosed items provided in note 3.

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

APMs used to explain and monitor Group performance include:

APM	**Definition**	**Source**
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group income statement
Adjusted EBITDA	Annualised EBITDA on a 52 week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group income statement
EBITDA before adjusted items	EBITDA before separately disclosed items.	Group income statement
Operating profit	Earnings before interest and tax.	Group income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 6
Net debt : Adjusted EBITDA	The multiple of net debt as per the balance sheet compared against 52-week EBITDA before separately disclosed items which is a widely used leverage measure in the industry.	
Free cash flow	Calculated as net movement in cash and cash equivalents before the movement on unsecured revolving credit facilities.	Cash flow statement
Return on capital	Expansionary capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Incremental return is the growth in annual site EBITDA, expressed as a percentage of expansionary capital.	

A. Like-for-like sales
The sales this year compared to the sales in the previous year of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals.

	Source	**2018 28 weeks £m**	2017 28 weeks £m	Year-on -year %
Reported revenue	Income statement	**1,130**	1,123	**0.6**
Less non like-for-like sales	Non GAAP	**(111)**	(120)	
Like-for-like sales		**1,019**	1,003	**1.6**
Adjustment for snow		**12**	-	
Less non like-for-like sales		**(3)**	-	
Like-for-like sales adjusted for snow		**1,028**	1,003	**2.5**

B. Adjusted Operating Profit

Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately identified by virtue of their size or incidence (see note 3). Excluding these items allows a better understanding of the trading of the Group.

	Source	**2018 28 weeks £m**	2017 28 weeks £m	Year-on -year %
Operating profit	Income statement	**137**	145	**(5.5)**
Add back separately disclosed items	Non GAAP	**4**	4	
Adjusted operating profit		**141**	149	**(5.4)**
Reported revenue		**1,130**	1,123	0.6
Adjusted operating margin		**12.5%**	13.3%	**(0.8)ppts**

C. Adjusted Earnings per Share

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

	Source	**28 weeks £m**	2017 28 weeks £m	Year-on -year %
Profit for the period	Income statement	**55**	57	**(3.5)**
Add back separately disclosed items	Income statement	**4**	6	
Adjusted profit		**59**	63	**(6.3)**
Weighted average number of shares	Note 6	**424**	415	
Adjusted earnings per share		**13.9p**	15.2p	**(8.6)**

D. Net Debt: EBITDA

The multiple of net debt as per the balance sheet compared against 52-week EBITDA before separately disclosed items which is a widely used leverage measure in the industry. Adjusted EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

	Source	**2018 28 weeks £m**	2017 28 weeks £m
Net debt	Note 9	**1,718**	1,825
EBITDA H1	Income statement	**207**	210
Less separately disclosed items H1	Income statement	**(1)**	-
EBITDA H1 before separately disclosed items	Income statement	**206**	210
Add EBITDA prior year H2	Income statement*	**185**	214
Less separately disclosed items prior year H2	Income statement*	**34**	-
Adjustment for 53rd week	Non GAAP	**(8)**	-
Adjusted 52 week EBITDA		**417**	424
Net debt : EBITDA		**4.1**	4.3

* H2 measures are calculated from the income statement as the measure for the 53 weeks ended 30 September 2017 less the measure for the 28 weeks ended 8 April 2017.

E. Free Cash Flow

Free cash flow excludes the cash movement on unsecured revolving credit facilities and is presented to allow understanding of the cash movements excluding short term debt.

	Source	**2018 28 weeks £m**	2017 28 weeks £m
Net decrease in cash and cash equivalents	Cash flow statement	**(9)**	(12)
Net movement on unsecured revolving credit facilities	Cash flow statement	**6**	(6)
		(3)	(18)