MITCHELLS & BUTLERS PLC

17 May 2017

HALF YEAR RESULTS

(For the 28 weeks ended 8 April 2017)

- **Continued like-for-like sales momentum**
- **Ongoing focus on mitigating inflationary cost headwinds**
- **Strong progress on all three strategic priorities**

Financial performance
- Like-for-like sales [a] up 1.6% at the half year and up 1.9%[a] in first 33 weeks of year
- Results impacted by movement of Easter into second half
- Adjusted operating profit of £149m[b] (H1 2016 £156m)
- Adjusted earnings per share of 15.2p[b] (H1 2016 15.7p)
- Interim dividend of 2.5p (H1 2016 2.5p)

Strategic progress
- Completed 178 return generating capital projects with focus on premiumisation of the estate
- Improved interaction with social media; guest satisfaction score up 2.4%

Reported results
- Total revenue of £1,123m (H1 2016 £1,096m)
- Operating profit of £145m (H1 2016 £157m)
- Profit before tax of £75m (H1 2016 £83m)
- Basic earnings per share of 13.7p (H1 2016 18.4p)

Balance sheet and cash flow
- Capital expenditure of £93m (H1 2016 £88m), including 6 new site openings and 172 conversions and remodels
- Free cash flow of £24m[c] (H1 2016: £34m)
- Net debt of £1.83bn (H1 2016 £1.86bn) representing 4.3 times adjusted EBITDA[d] (H1 2016 4.2 times)

Phil Urban, Chief Executive, commented:

"During the half year we have generated sustained sales growth, whilst consistently out-performing the market. This comes from the good progress we have made in our three priority areas: building a more balanced business; instilling a more commercial culture; and driving an innovation agenda.

As previously announced, margins have been adversely impacted by increased costs, most notably from wage inflation, property costs and exchange rate movements. In order to partially mitigate these costs we have been working hard to encourage our guests to trade up and increase spend per head for a more premium experience whilst challenging our General Managers to run their businesses as cost effectively as possible.

Overall, we are pleased with the turnaround in our sales trajectory and relative performance against the market. In a challenging cost and consumer environment we will continue to focus on our three priority areas."

Definitions

a – 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. Like-for-like sales are measured against relevant accounting weeks in the prior year.

b – Adjusted earnings are quoted before separately disclosed items as set out in the Group Income Statement and detailed in note 3 of the accounts.

c – Free cash flow excludes £4m dividend payment (HY 2016 £21m); £38m mandatory bond amortisation (H1 2016 £32m) and net £6m drawn from unsecured revolving facilities (H1 2016 £8m).

d – Annualised EBITDA before separately disclosed items is used to calculate debt service coverage ratio.

There will be a presentation today for analysts and investors at 8.45am 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 conference will also be accessible by phone: 020 3059 8125 and quote "Mitchells & Butlers". The replay will be available until 24 May 2017 on 0121 260 4861 replay access pin 6014173#.

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

In the first six months of this year we have made further progress against our three strategic priorities:

- To build a more balanced business
- To instil a more commercial culture
- To drive an innovation agenda

Over the last year, we have seen a steady improvement in our rate of like-for-like sales performance, both compared to where we were and relative to the wider market. Our like-for-like sales in the year-to-date, including Easter, have now increased by 1.9%.

We have increased the level of capital investment in the estate, reducing the remodel life cycle closer to an average of 6 to 7 years. This is clearly helping our sales growth. However, we have also seen a marked improvement in the trajectory of the uninvested business over this time, suggesting the many other initiatives we have been working on are also now starting to benefit the business. We believe that by working hard to make a large number of marginal improvements across all areas of the business, we will continue to improve our performance.

We will continue to work on multiple fronts to maintain the good progress that we have achieved over the last twelve months.

THE EXTERNAL ENVIRONMENT

We operate in a challenging and uncertain environment, both in the economy as a whole and in our sector specifically. Consumer confidence has remained fragile throughout 2016 and 2017, whilst spending remains in growth, albeit at a slowing rate. There is clearly therefore some caution over future demand. However, this backdrop is not new and, encouragingly, we have still continued to improve our sales performance.

In the UK we have seen headline inflation figures start to rise recently and, more specifically, wholesale food inflation has increased in recent months, up to 6.0% in March 2017. Overall however, our cost outlook for the year is unchanged from that set out in our full-year results last November and continues to present a challenge which we must mitigate. This inflationary environment clearly impacts on our own, and our competitors', decisions on pricing. We have stated previously that we would expect some price to be taken in the sector, and we have seen recent indications of this. Nevertheless, there has also been evidence of aggressive discounting during quieter trading periods. We continue to monitor our own prices carefully, and have carried out some price adjustments, including both price increases and price reductions in local markets. We will continue to enable and encourage guests to premiumise and increase the level of spend per head through enhanced products and menus, although some movement on like-for-like prices is also likely to be necessary.

The level of supply in our market has also changed significantly in recent years. We have commented previously on the high number of new casual dining restaurants opening, particularly up until the middle of 2015. Since then we have seen restaurant supply growth slow considerably, reducing to a small decline in the last four quarters, although clearly within the net position there are examples of segments and operators that are continuing to roll out. While we are not now seeing the same level of new openings as two years ago, our marketplace remains highly competitive.

OUR PRIORITIES

Building a more balanced business

Our priority continues to be to reach the optimal balance of brands and formats across our high-quality estate, of around 1,800 largely freehold sites. Last year we carried out a full review to identify the ideal brand for each site, and since then we have been working towards achieving this profile, aiming to premiumise where possible to take advantage of higher growth and more resilient markets, alongside improving the general level of amenity and shortening the cycle within which all of our sites are invested.

We have made good progress against this plan. Our main growth focus has been Miller & Carter, our specialist steak format which continues to be a great success both for new openings and conversions of existing sites. We now have 67 Miller & Carter sites open and are on track to reach around 100 sites by the end of 2017. These investments perform very well for us, and offer possible growth opportunities even beyond the 100-site target. We have also continued our conversion of sites into the Stonehouse Pizza & Carvery format, now in 72 sites, and extended the Harvester Feel Good Dining concept, now in 55 sites.

In all, we completed 172 remodels and conversions (H1 2016: 164) in the first half of the year, keeping us on track to achieve our aim of a 6 to 7 year cycle of reinvesting in each of our sites. We have opened 6 new sites, and expect to complete around 15 new openings in the full year, mostly in All Bar One, Alex and Miller & Carter.

We also identified a number of sites for disposal last year. This followed several years of limited disposals, and was an output of the estate review outlined above. We are currently in negotiations to sell 78 sites which we would expect to complete before the end of the year. The annualised EBITDA of these disposals is around £5m.

Instilling a more commercial culture

Instilling a more commercial culture is about the way in which the organisation operates and strives for profitable sales growth. We are pleased with the progress in this area. The four divisional structure is now embedded and working well. This year we will update our labour rostering system, which will enable us to operate Time & Attendance across the business, as well as giving our managers and team the ability to access the system from their own devices.

Our use of social media is becoming increasingly important as a tool to interact with our guests, such that we are now generating more than 40,000 pieces of customer feedback every month. This provides a rich source of data as well as the opportunity for our managers to engage directly with our guests. We have installed a social media consolidation tool across all our brands, which enables our managers to see and respond to feedback from multiple social media channels. Data suggests a clear link between ‘scores’ achieved on social media and performance measures, including like-for-like sales, complaints per meal sold and net promoter score.

Our commercial culture also extends to discipline around managing our cost base, as we strive to mitigate the substantial cost pressures that we, and the industry, face. Our scale clearly helps us in this regard. Our procurement teams have worked across our supplier base to, where possible, substitute or consolidate products and suppliers while maintaining the quality of product offered to guests. We have also been focusing on costs at an operational level and, whilst we feel that the organisation is already lean in the way it operates, we have given each of our sites a daily challenge to work towards in terms of cost savings – through challenging productivity, energy usage, and food and drink waste to name a few. This gives us a clear goal to work towards and engages the teams, whilst taking care not to take actions which will impact upon the guest experience. We are pleased with the progress we have made, both centrally and at an operational level, and expect to be able to mitigate an element of the full-year cost headwinds.

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.

Innovation and technology are critical areas for us as a business, in terms of efficiency, attracting and interacting with guests and remaining competitive in our markets. We aim to use our technology to improve all aspects of the customer journey, which sometimes means making seemingly small adjustments to make a significant difference. Examples of our progress in this area include:

- Continuing to increase the level of online bookings, such that now around 90,000 bookings are made a week through our own websites and third-party partners;
- A new site-level website template which is being rolled out, now live across 170 sites, and provides us with a platform to easily and quickly replicate new websites for site or brand concepts as well as improving the online guest experience;
- Improvements to guest Wi-Fi, both through increasing the network speed and separating the back office usage; and
- Trialling of alternative payment devices, which we expect to build on with a trial for guests to order at tables later this year.

We have continued to extend our use of delivery, which is now live across more than 50 sites and in three of our existing brands, plus our two new concepts Chicken Society and Son of Steak. We are convinced that this is an area of the market which is here to stay, and the demand appears strong across towns and cities nationwide. On average we are still seeing delivery sales of around £300 per site per week, showing the strength of the offer as we continue to roll out. Certain individual sites trade well in excess of this amount, with the two new concepts being particularly strong on delivery sales. We currently partner with one provider, but are close to extending the offer into other regions through alternative suppliers and believe that a delivery offer may ultimately be applicable for up to a quarter of the estate.

As well as using technology to enhance the guest experience, we are also using technology to improve the way we work. These improvements may appear small, but can make a significant difference to our teams. Based on feedback, we have issued all of our house managers with laptops to facilitate more flexible working on site. We have also introduced enhancements to our telephone system to allow bookings to be routed through a centrally operated telephone line, rather than the team having to manage phones directly at sites during peak trading periods.

We have done much to improve our digital marketing in the last 18 months, by consolidating all of our customer information into one database, trialling flexible offers through email and other channels, and by developing apps for a number of our brands. We now have six brand apps (Harvester, Toby Carvery, All Bar One, Nicholson's, Ember Inns and Browns), with an aggregate of 825k downloads so far. We have begun testing a loyalty function within some of these apps, and in the months ahead will develop this further to tailor rewards to guests based on their individual usage. This enables us to understand our guests' preferences more clearly and therefore to have much more personalised interaction with them.

Our work on innovation also extends to the ongoing development of new products and concepts. Existing brands are continuously looking to evolve their offers, with examples ranging from the introduction of a low calorie prosecco in a quarter of the estate and the development of vegan dishes, to exploring popup and partnership opportunities to expand the reach of our brands. As mentioned above we also opened two new concepts this financial year: Chicken Society and Son of Steak. Both are based on a simple but high-quality offer, with a focused concept aimed at millennials, who are arguably underrepresented as a customer base across our existing portfolio of brands. Chicken Society opened in Finchley in December, and Son of Steak in Nottingham in March. We are encouraged by the early trading in both and whilst we expect to open more sites in the months ahead, we will take time to assess the performance and the business model of each before deciding whether a scale rollout is appropriate. We have always been very clear that, whilst the concepts may end up being a future conversion opportunity for the estate, it is more important that they help us develop our own culture of testing and learning, and being able to innovate at pace – benefiting both future new trials and innovation within our existing brands.

OUTLOOK

Since the half-year, trading has benefited from Easter falling later this year. In the year-to-date (as at 13th May) our like-for-like sales have now increased by 1.9%. This builds on the momentum we have seen in the last twelve months, as a result of the various activities we have been undertaking and despite the challenging market backdrop.

We have made good progress against our three priorities, but must continue to work at pace and on multiple fronts in order to maintain our market outperformance and offset the increasing cost pressures facing our sector, such that we maximise long term shareholder value.

FINANCIAL REVIEW

On a statutory basis, profit before tax for the period was £75m (H1 2016 £83m), on sales of £1,123m (H1 2016 £1,096m).

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

At the end of the period, the total estate comprised 1,770 managed businesses and 56 franchised businesses, in the UK and Germany.

This year will be a 53 week accounting year to maintain alignment of accounting and calendar dates, ending on 30 September 2017.

Changes in accounting policies

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

Revenue

The Group's total revenues of £1,123m were 2.5% higher than the first half last year, with growth in like-for-like sales supported by new site openings.

Total like-for-like sales[a] grew by 1.6% in the first half with food sales up by 0.8% and drink sales by 2.3%. Volumes of both food and drink fell 4.8% and 1.8% respectively with average spend per item on food up 5.9%, and average drink spend up 4.2% both reflecting the impact of the increasing premiumisation of the estate. However, this excludes the impact of Easter, which fell in the first half of last year. Like-for-like sales for the 33 weeks to 13th May, including Easter, grew by 1.9% continuing an improvement in sales performance across the estate in both invested and uninvested sites.

Like-for-like sales growth:	**Week 1 – 15**	**Week 1 – 28**	**Week 1 – 33**
	FY 2017	**FY 2017**	**FY 2017**
Food	1.6%	0.8%	1.4%
Drink	1.7%	2.3%	2.4%
Total	1.7%	1.6%	1.9%

Separately disclosed items

Separately disclosed items comprise a £4m impairment charge in relation to assets held for sale and a £2m capital gains tax adjustment in respect of the prior year.

Operating margins

Whilst we have marginally increased gross margins, inflationary cost pressures have, as anticipated, driven a year-on-year operating margin reduction with increased labour, utilities, property costs, duty and food and drink costs all impacting the first half. Adjusted operating margins[b] were 0.9ppts lower than last year at 13.3%.

Inflationary cost pressures are anticipated to continue through the second half of the year and into next year at a similar level.

Adjusted operating profit[b] for the first half was £149m, 4.5% lower than the same period last year as a result of the inflationary costs pressures above and the delay of Easter outweighing the improvement we have made in both the invested and uninvested estates performance in the period.

Interest

Net finance costs of £70m were £4m lower than in the first half last year, reflecting a lower net pensions finance charge of £4m (H1 2016 £6m), and a reduction in Group securitised borrowings.

For the current financial year we expect the full year pensions finance charge to be around £7m (FY 2016 £12m).

Earnings per share

Basic earnings per share, after the separately disclosed items described above, were 13.7p (H1 2016 18.4p). Adjusted earnings per share[b] were 15.2p, 3.2% lower than last year. The weighted average number of shares in the period of 415m has increased due to the issue of shares as scrip dividends. The total number of shares issued at the date of announcement is 421m.

Cash flow and net debt

The cash flow statement below excludes £38m of mandatory bond amortisation (H1 2016 £32m) and a net £6m drawn from unsecured revolving facilities (H1 2016 £8m).

	H1 2017	**H1 2016**
	£m	**£m**
EBITDA before adjusted items[b]	210	217
Working capital movement / non-cash items	-	-
Pension deficit contributions	(23)	(26)
Cash flow from operations	**187**	**191**
Capital expenditure	(93)	(88)
Interest	(60)	(62)
Tax	(11)	(8)
Disposals and other	1	1
Free Cash Flow	**24**	**34**
Dividend	(4)	(21)
Net cash flow	**20**	**13**

The business generated £210m of EBITDA before adjusted items the first half. Capital expenditure of £93m is higher than last year due to the accelerated capital programme. After capital expenditure, interest and tax, £24m of free cash flow was generated by the business. The cash dividend payment is lower than last year due to the scrip dividend issue.

Net debt of £1,825m at the half year end (H1 2016 £1,862m), represented 4.3 times adjusted EBITDA[c] (H1 2016 4.2 times).

Capital expenditure

Total maintenance and infrastructure capex of £24m was £10m lower than last year, following review and improvement of the delivery of maintenance work and due to the increase in remodel and conversion activity over the past year.

During the period we have increased return generating capital expenditure through remodelling or converting 172 sites (H1 2016: 164 sites) and opening 6 new sites (H1 2016: 4 sites), at an additional investment spend of £15m. Conversions were primarily focused on premiumisation to Miller & Carter and Stonehouse and, acquisitions on growth of All Bar One (4 sites) and Miller & Carter (2 sites).

The EBITDA return on all conversion and acquisition capital invested since FY 2014 is 18%, with projects since the start of 2016 returning in excess of 20%. Recent remodel performance has been encouraging, delivering sales uplifts in excess of 10%.

	H1 2017		H1 2016	
	£m	**#**	**£m**	**#**
Maintenance and infrastructure	**24**		**34**	
Remodels - refurb	24	101	38	125
Remodels – expansionary	9	22	3	6
Conversions	24	49	9	33
Acquisitions – freehold	-	-	1	2
Acquisitions – leasehold	12	6	3	2
Total return generating capital expenditure	**69**	**178**	**54**	**168**
Total capital expenditure	**93**		**88**	

Pensions

The Company continues to make pensions deficit payments based on a ten year schedule of contributions agreed as part of the triennial valuations at 31 March 2013, which showed an assessed funding shortfall at that time of £572m. The discounted value of the minimum funding requirement agreed as part of the schedule of contributions is recognised in the balance sheet at £316m (H1 2016 £340m) before tax.

The Company is in negotiations with the Trustees of the pension schemes regarding the latest triennial valuation, as at 31 March 2016.

Dividends

The Board has approved an interim dividend of 2.5 pence per share which will be paid on 3 July 2017 to shareholders on the register at the close of business on 26 May 2017. The Board intends to make a scrip dividend alternative available to shareholders.

Shareholders who hold share certificate(s) will need to complete a Scrip Dividend Mandate Form, which can be found on our website www.mbplc.com or by contacting Equiniti on 0371 384 2065. The completed Scrip Dividend Mandate form should be returned to the registrars no later than 5pm on 12 June 2017.

Shareholders who hold their shares in CREST and who wish to elect for the Scrip Dividend should complete an election through CREST no later than 5pm on 12 June 2017. Please refer to the elections process document available at www.shareview.co.uk/info/reinvest

Shareholders who do not hold their shares in CREST and who have already submitted a Scrip Dividend Mandate form in respect of the final dividend for the 2016 financial year do not need to submit a new mandate form. The existing Mandate form will continue in force for those shareholders who do not hold shares in CREST unless and until notice of cancellation is received by the Company's registrars not less than 15 working days before the date on which the dividend is to be paid.

Risk factors and uncertainties

The risks and uncertainties that affect the company remain unchanged and are set out on pages 20 – 24 of the 2016 Annual report and accounts which is available on the Mitchells & Butlers website at www.mbplc.com.

Definitions

a – 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. Like-for-like sales are measured against relevant accounting weeks in the prior year.

b – Adjusted measures are quoted before separately disclosed items as set out in the Group Income Statement and detailed in note 3 of the accounts.

c – Annualised EBITDA before separately disclosed items is used to calculate debt service coverage ratio.

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 25 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 16 May 2017 and is signed on its behalf by Tim Jones, Finance Director.

GROUP CONDENSED INCOME STATEMENT
for the 28 weeks ended 8 April 2017

	2017 28 weeks (Unaudited)		**2016 28 weeks (Unaudited)**		2016 52 weeks (Audited)	
	Before separately disclosed items[a] £m	**Total £m**	Before separately disclosed items[a] £m	Total £m	Before separately disclosed items[a] £m	Total £m
Revenue (note 2)	**1,123**	**1,123**	1,096	1,096	2,086	2,086
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	**(913)**	**(913)**	(879)	(879)	(1,655)	(1,655)
Net profit arising on property disposals	**-**	**-**	-	1	-	1
EBITDA[b]	**210**	**210**	217	218	431	432
Depreciation, amortisation and movements in the valuation of the property portfolio	**(61)**	**(65)**	(61)	(61)	(113)	(201)
Operating profit	**149**	**145**	156	157	318	231
Finance costs (note 4)	**(66)**	**(66)**	(69)	(69)	(126)	(126)
Finance revenue (note 4)	**-**	**-**	1	1	1	1
Net pensions finance charge (note 4)	**(4)**	**(4)**	(6)	(6)	(12)	(12)
Profit before tax	**79**	**75**	82	83	181	94
Tax expense (note 5)	**(16)**	**(18)**	(17)	(7)	(37)	(5)
Profit for the period	**63**	**57**	65	76	144	89
Earnings per ordinary share (note 6):						
Basic	**15.2p**	**13.7p**	15.7p	18.4p	34.9p	21.6p
Diluted	**15.2p**	**13.7p**	15.7p	18.4p	34.9p	21.6p

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 8 April 2017

	2017 28 weeks £m (Unaudited)	2016 28 weeks £m (Unaudited)	2016 52 weeks £m (Audited)
Profit for the period	**57**	76	89
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of the property portfolio	**-**	-	216
Remeasurement of pension liability (note 11)	**3**	(9)	(22)
Tax relating to items not reclassified (note 5)	**4**	7	(21)
	7	(2)	173
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**-**	2	3
Cash flow hedges:			
- Gains/(Losses) arising during the period	**55**	(54)	(116)
- Reclassification adjustments for items included in profit or loss	**12**	6	8
Tax relating to items that may be reclassified (note 5)	**(11)**	3	10
	56	(43)	(95)
Other comprehensive income/(expense) after tax	**63**	(45)	78
Total comprehensive income for the period	**120**	31	167

GROUP CONDENSED BALANCE SHEET
8 April 2017

ASSETS	**2017 8 April £m (Unaudited)**	2016 9 April £m (Unaudited)	2016 24 September £m (Audited)
Goodwill and other intangible assets (note 8)	**8**	9	9
Property, plant and equipment (note 8)	**4,407**	4,271	4,423
Lease premiums	**2**	3	2
Deferred tax asset	**125**	143	143
Derivative financial instruments (note 12)	**61**	34	52
Total non-current assets	**4,603**	4,460	4,629
Inventories	**26**	25	25
Trade and other receivables	**41**	39	32
Other cash deposits (note 9)	**120**	120	120
Cash and cash equivalents (note 9)	**146**	152	158
Derivative financial instruments (note 12)	**3**	-	1
Assets held for sale (note 8)	**43**	-	-
Total current assets	**379**	336	336
Total assets	**4,982**	4,796	4,965
LIABILITIES			
Pension liabilities (note 11)	**(46)**	(46)	(46)
Trade and other payables	**(302)**	(309)	(293)
Current tax liabilities	**(14)**	(17)	(12)
Borrowings (note 9)	**(261)**	(228)	(253)
Derivative financial instruments (note 12)	**(44)**	(43)	(44)
Total current liabilities	**(667)**	(643)	(648)
Pension liabilities (note 11)	**(270)**	(294)	(291)
Borrowings (note 9)	**(1,894)**	(1,942)	(1,920)
Derivative financial instruments (note 12)	**(295)**	(302)	(360)
Deferred tax liabilities	**(322)**	(323)	(329)
Provisions	**(9)**	(10)	(9)
Total non-current liabilities	**(2,790)**	(2,871)	(2,909)
Total liabilities	**(3,457)**	(3,514)	(3,557)
Net assets	**1,525**	1,282	1,408
EQUITY			
Called up share capital	**36**	35	35
Share premium account	**26**	27	27
Capital redemption reserve	**3**	3	3
Revaluation reserve	**1,142**	953	1,142
Own shares held	**(1)**	(1)	(1)
Hedging reserve	**(282)**	(285)	(338)
Translation reserve	**13**	12	13
Retained earnings	**588**	538	527
Total equity	**1,525**	1,282	1,408

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 8 April 2017

	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 26 September 2015 (Audited)	**35**	**26**	**3**	**938**	**(1)**	**(240)**	**10**	**500**	**1,271**
Profit for the period	-	-	-	-	-	-	-	76	**76**
Other comprehensive income/(expense)	-	-	-	15	-	(45)	2	(17)	**(45)**
Total comprehensive income/(expense)	-	-	-	15	-	(45)	2	59	**31**
Share capital issued	-	1	-	-	-	-	-	-	**1**
Purchase of own shares	-	-	-	-	(1)	-	-	-	**(1)**
Release of own shares	-	-	-	-	1	-	-	(1)	**-**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Dividends paid	-	-	-	-	-	-	-	(21)	**(21)**
At 9 April 2016 (Unaudited)	**35**	**27**	**3**	**953**	**(1)**	**(285)**	**12**	**538**	**1,282**
Profit for the period	-	-	-	-	-	-	-	13	**13**
Other comprehensive income/(expense)	-	-	-	189	-	(53)	1	(14)	**123**
Total comprehensive income/(expense)	-	-	-	189	-	(53)	1	(1)	**136**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	1
Dividends paid	-	-	-	-	-	-	-	(10)	**(10)**
Tax on share-based payments	-	-	-	-	-	-	-	(1)	**(1)**
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	-	-	-	-	-	-	-	(21)	**(21)**
Scrip dividend related share issue (note 7)	1	(1)	-	-	-	-	-	17	**17**
At 8 April 2017 (Unaudited)	**36**	**26**	**3**	**1,142**	**(1)**	**(282)**	**13**	**588**	**1,525**

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 8 April 2017

	2017 28 weeks £m (Unaudited)	2016 28 weeks £m (Unaudited)	2016 52 weeks £m (Audited)
Cash flow from operations			
Operating profit	**145**	157	231
Add back: adjusted items	**4**	(1)	87
Operating profit before adjusted items	**149**	156	318
Add back:			
Depreciation of property, plant and equipment	**60**	60	111
Amortisation of intangibles	**1**	1	2
Cost charged in respect of share based payments	**1**	1	2
Administrative pension costs (note 11)	**1**	1	2
Operating cash flow before adjusted items, movements in working capital and additional pension contributions	**212**	219	435
Increase in inventories	**(1)**	(1)	(1)
Increase in trade and other receivables	**(9)**	(12)	(4)
Increase/(decrease) in trade and other payables	**8**	11	(5)
Decrease in provisions	**-**	-	(1)
Additional pension contributions (note 11)	**(23)**	(26)	(49)
Cash flow from operations before adjusted items	**187**	191	375
Interest paid	**(60)**	(63)	(126)
Interest received	**-**	1	1
Tax paid	**(11)**	(8)	(28)
Net cash from operating activities	**116**	121	222
Investing activities			
Purchases of property, plant and equipment	**(93)**	(88)	(166)
Purchases of intangible assets	**-**	-	(1)
Proceeds from sale of property, plant and equipment	**1**	1	5
Net cash used in investing activities	**(92)**	(87)	(162)
Financing activities			
Dividends paid	**(4)**	(21)	(31)
Issue of ordinary share capital	**-**	1	1
Purchase of own shares	**-**	(1)	(1)
Repayment of principal in respect of securitised debt	**(38)**	(32)	(67)
Net movement on unsecured revolving credit facilities	**6**	8	31
Net cash used in financing activities	**(36)**	(45)	(67)
Net decrease in cash and cash equivalents (note 10)	**(12)**	(11)	(7)
Cash and cash equivalents at the beginning of the period	**158**	163	163
Foreign exchange movements on cash	**-**	-	2
Cash and cash equivalents at the end of the financial period	**146**	152	158

Cash and cash equivalents are defined in note 9.

There was an issue of 7 million shares during the year as a scrip dividend which is a non-cash transaction. Refer to note 7 for further details.

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 52 weeks ended 24 September 2016 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 2016.

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2016.

Adjusted profit
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, 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. Separately disclosed items are those which are separately identifiable 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, restructuring costs and corporation tax rate change. Further information is available in the Annual Report and Accounts 2016 and in note 3.

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 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		
	2017 28 wks £m	2016 28 wks £m	2016 52 wks £m	**2017 28 wks £m**	2016 28 wks £m	2016 52 wks £m	**2017 28 wks £m**	2016 28 wks £m	2016 52 wks £m
Revenue	**1,123**[a]	1,096[a]	2,086[a]	**-**	-	-	**1,123**[a]	1,096	2,086
EBITDA pre-adjustments	**95**	102	218	**115**[b]	115[b]	214[b]	**210**	217	431
Operating profit pre-adjustments	**41**	48	117	**108**	108	201	**149**	156	318
Separately disclosed items[c]							**(4)**	1	(87)
Operating profit							**145**	157	231
Net finance costs							**(70)**	(74)	(137)
Profit before tax							**75**	83	94
Tax expense							**(18)**	(7)	(5)
Profit for the period							**57**	76	89

a Revenue includes other income of £3m (9 April 2016 £3m; 24 September 2016 £6m) in respect of leased operations and other income of £4m (9 April 2016 £4m; 24 September 2016 £7m) in respect of leased rental income.

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

c Refer to note 3.

3. SEPARATELY DISCLOSED ITEMS

	Notes	**2017 28 weeks £m**	2016 28 weeks £m	2016 52 weeks £m
Adjusted items				
Net profit arising on property disposals		**-**	1	1
Movement in the valuation of the property portfolio:				
- Impairment arising from the revaluation	a	**-**	**-**	(80)
- Impairment of assets held for sale	b	**(4)**	**-**	-
- Other impairment	c	**-**	-	(8)
Net movement in the valuation of the property portfolio		**(4)**	-	(88)
Total adjusted items before tax		**(4)**	1	(87)
Tax (charge)/credit relating to the above items		**-**	-	18
Tax adjustments in respect of prior periods		**(2)**	2	-
Tax credit in respect of change in tax legislation	d	**-**	8	14
Total adjusted items after tax		**(6)**	11	(55)

a Impairment arising from the Group's revaluation of its pub estate where their carrying values exceed their recoverable amount.
b Impairment recognised on reclassification of property, plant and equipment to assets held for sale.
c Impairment of short leasehold and unlicensed properties.
d A deferred tax credit has been recognised in the prior period following the enactment of legislation on 18 November 2015 which lowered the UK standard rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 which reduced the main rate of corporation tax to 17% from 1 April 2020.

All separately disclosed items relate to continuing operations.

4. FINANCE COSTS AND FINANCE REVENUE

	2017 28 weeks £m	2016 28 weeks £m	2016 52 weeks £m
Finance costs			
Interest on securitised and other debt	**(66)**	(69)	(126)
Finance revenue			
Interest receivable – cash	**-**	1	1
Net pensions finance charge (note 11)	**(4)**	(6)	(12)

5. TAXATION

The taxation charge for the 28 weeks ended 8 April 2017 has been calculated by applying an estimate of the annual effective tax rate before adjusted items of 19.9% (2016 28 weeks, 20.5%).

Tax charged in the income statement	**2017 28 weeks £m**	2016 28 weeks £m	2016 52 weeks £m
Current tax			
- UK corporation tax	**(14)**	(14)	(28)
- Amounts over provided in prior periods	**-**	3	3
Total current tax charge	**(14)**	(11)	(25)
Deferred tax			
- Origination and reversal of temporary differences	**(2)**	(3)	9
- Adjustments in respect of prior periods	**(2)**	(1)	(3)
- Change in tax rate	**-**	8	14
Total deferred tax (charge)/credit	**(4)**	4	20
Total tax charged in the income statement	**(18)**	(7)	(5)
Further analysed as tax relating to:			
Profit before adjusted items	**(16)**	(17)	(37)
Adjusted items	**(2)**	10	32
	(18)	(7)	(5)

Tax relating to items recognised in other comprehensive income	**2017 28 weeks £m**	2016 28 weeks £m	2016 52 weeks £m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised gains due to revaluations – revaluation reserve	**-**	15	(12)
- Unrealised gains due to revaluations – retained earnings	**5**	(1)	(11)
- Rolled over and held over gains – retained earnings	**-**	-	11
- Remeasurement of pension liability	**(1)**	(7)	(9)
	4	7	(21)
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges:			
- Losses arising during the period	**(9)**	3	11
- Reclassification adjustments for items included in profit or loss	**(2)**	-	(1)
	(11)	3	10
Total tax (charge)/credit recognised in other comprehensive income	**(7)**	10	(11)

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 balance at 8 April 2017.

6. EARNINGS PER ORDINARY 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 underlying trading performance of the Group.

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
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**
28 weeks ended 9 April 2016			
Profit/EPS	76	18.4 p	18.4 p
Adjusted items, net of tax	(11)	(2.7)p	(2.7)p
Adjusted profit/EPS	65	15.7 p	15.7 p
52 weeks ended 24 September 2016			
Profit/EPS	89	21.6 p	21.6 p
Adjusted items, net of tax	55	13.3 p	13.3 p
Adjusted profit/EPS	144	34.9 p	34.9 p

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

	2017 28 weeks millions	2016 28 weeks millions	2016 52 weeks millions
For basic EPS calculations	**415**	413	413
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	**-**	1	-
For diluted EPS calculations	**415**	414	413

7. DIVIDENDS

	2017 28 weeks £m	2016 28 weeks £m	2016 52 weeks £m
Declared and paid in the period			
Final dividend for 52 weeks ended 24 September 2016 of 5.0p per share (9 April 2016 5.0p, 24 September 2016 5.0p)	**4**	21	31

An interim dividend of 2.5p per share, amounting to £10m, has been approved by the Directors and will be paid on 3 July 2017 to those shareholders on the register at the close of business on 26 May 2017. This interim financial information does not reflect this dividend payable.

A scrip dividend alternative was offered to shareholders for the 2016 final dividend. Of the £21m final dividend, £17m was in the form of ordinary shares to shareholders opting in to the scrip alternative. The market value per share at the date of payment was 227.3 pence per share, resulting in the issue of 7 million new shares, fully paid up from the share premium account. The nominal value of shares issued is £1m.

8. PROPERTY, PLANT AND EQUIPMENT

	2017 8 April £m	2016 9 April £m	2016 24 September £m
At beginning of period	**4,423**	4,242	4,242
Additions	**93**	88	167
(Impairment)/revaluation	**(4)**	-	128
Disposals	**(2)**	-	(5)
Depreciation provided during the period	**(60)**	(60)	(111)
Exchange differences	**-**	1	2
Transfers to assets held for sale	**(43)**	-	-
At end of period	**4,407**	4,271	4,423

The freehold and long leasehold licensed properties were valued at market value as at 24 September 2016 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.

Goodwill and other intangible assets at 8 April 2017 comprises goodwill of £2m (9 April 2016 £2m, 24 September 2016 £2m) and computer software of £6m (9 April 2016 £7m, 24 September 2016 £7m).

During the period, a group of properties have been classified as held for sale. At 8 April 2017 the net book value of these properties was £43m. An impairment of £4m has been recognised in the period to reduce the carrying value of these assets to the fair value less costs to sell, where this is lower.

Capital commitments
The total amount contracted for but not provided in the financial statements was £23m.

9. ANALYSIS OF NET DEBT

	2017 8 April £m	2016 9 April £m	2016 24 September £m
Cash and cash equivalents	**146**	152	158
Other cash deposits	**120**	120	120
Securitised debt	**(1,971)**	(2,015)	(1,995)
Liquidity facility	**(147)**	(147)	(147)
Revolving credit facilities	**(37)**	(8)	(31)
Derivatives hedging balance sheet debt[a]	**64**	36	55
	(1,825)	(1,862)	(1,840)

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.

Securitised debt

The overall cash interest rate payable on the loan notes is fixed at 6.1% (9 April 2016 6.1%, 24 September 2016 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 notes are secured on the majority of the Group's property and future income streams.

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 8 April 2017, Mitchells & Butlers Retail Limited had cash and cash equivalents of £101m (9 April 2016 £91m, 24 September 2016 £103m). Of this amount £1m (9 April 2016 £39m, 24 September 2016 £36m), 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:

	2017 8 April £m	2016 9 April £m	2016 24 September £m
Principal outstanding at beginning of period	**1,998**	2,031	2,031
Principal repaid during the period	**(38)**	(32)	(67)
Exchange on translation of dollar loan notes	**9**	15	34
Principal outstanding at end of period	**1,969**	2,014	1,998
Deferred issue costs	**(6)**	(7)	(7)
Accrued interest	**8**	8	4
Carrying value at end of period	**1,971**	2,015	1,995

9. ANALYSIS OF NET DEBT (CONTINUED)

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 8 April 2017 is £147m (9 April 2016 £147m, 24 September 2016 £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 two unsecured committed revolving credit facilities of £75m each and uncommitted revolving credit facilities of £15m, available for general corporate purposes. The amount drawn at 8 April 2017 is £37m (9 April 2016 £8m, 24 September 2016 £31m). Both committed facilities expire on 31 December 2017.

10. MOVEMENT IN NET DEBT

	2017 28 weeks £m	2016 28 weeks £m	2016 52 weeks £m
Net decrease in cash and cash equivalents	**(12)**	(11)	(7)
Add back cash flows in respect of other components of net debt:			
- Repayment of principal in respect of securitised debt	**38**	32	67
- Net movement on unsecured revolving facilities	**(6)**	(8)	(31)
Decrease in net debt arising from cash flows	**20**	13	29
Movement in capitalised debt issue costs net of accrued interest	**(5)**	(5)	(1)
Decrease in net debt	**15**	8	28
Opening net debt	**(1,840)**	(1,870)	(1,870)
Foreign exchange movements on cash	**-**	-	2
Closing net debt	**(1,825)**	(1,862)	(1,840)

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 2013 and updated by the schemes' independent qualified actuaries to 8 April 2017. Scheme assets are stated at market value at 8 April 2017 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.

11. PENSIONS (CONTINUED)

The principal financial and mortality assumptions used at the balance sheet date have been updated to reflect changes in market conditions in the period.

	2017 **8 April**	2016 9 April	2016 24 September
Discount Rate	**2.5%**	3.3%	2.2%
Inflation (RPI)	**3.3%**	2.9%	3.0%
Implied life expectancies from age 65:			
- MABPP male currently 45	**24.3 years**	24.3 years	24.3 years
- MABEPP male currently 45	**27.6 years**	27.6 years	27.6 years

Minimum funding requirements
The results of the 2013 funding 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 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension liabilities. The Group made contributions of £45m per annum for the three years commencing 1 April 2013. From 1 April 2016 contributions have increased by the rate of RPI (subject to a minimum increase of 0% and a maximum increase of 5%) and will continue to do so for the following seven years, subject to review following completion of the 2016 actuarial valuation. As part of the recovery plan, the Group also made a further payment of £40m in September 2015 on terms agreed with the Trustees. 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	**2017** **28 weeks**	2016 28 weeks	2016 52 weeks
	£m	£m	£m
Operating profit			
Employer contributions (defined contribution plans)	**(3)**	(4)	(7)
Administrative costs (defined benefit plans)	**(1)**	(1)	(2)
Charge to operating profit	**(4)**	(5)	(9)
Finance costs			
Net pensions finance charge on actuarial deficit	**(2)**	(2)	(3)
Additional pensions finance charge due to minimum funding	**(2)**	(4)	(9)
Net pensions finance charge	**(4)**	(6)	(12)
Total charge	**(8)**	(11)	(21)

Group statement of comprehensive income	**2017** **28 weeks**	2016 28 weeks	2016 52 weeks
	£m	£m	£m
Return on scheme assets and effects of changes in assumptions	**134**	30	(148)
Movement in pension liability due to minimum funding	**(131)**	(39)	126
Remeasurement of pension liability	**(3)**	(9)	(22)

11. PENSIONS (CONTINUED)

Group balance sheet	2017 8 April £m	2016 9 April £m	2016 24 September £m
Fair value of scheme assets	**2,444**	**2,079**	2,381
Present value of scheme liabilities	**(2,496)**	**(2,128)**	(2,587)
Actuarial deficit in the schemes	**(52)**	**(49)**	(206)
Additional liability recognised due to minimum funding	**(264)**	**(291)**	(131)
Total pension liability	**(316)**	**(340)**	(337)
Associated deferred tax asset	**54**	**61**	57

Movements in the total pension liability are analysed as follows:

	2017 28 weeks £m	2016 28 weeks £m	2016 52 weeks £m
At beginning of period	**(337)**	(350)	(350)
Administration costs	**(1)**	(1)	(2)
Net pensions finance charge	**(4)**	(6)	(12)
Employer contributions	**23**	26	49
Remeasurement of pension liability	**3**	(9)	(22)
At end of period	**(316)**	(340)	(337)

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 8 April 2017				
Financial assets				
Currency swaps	**-**	**64**	**-**	**64**
Financial liabilities				
Interest rate swaps	**-**	**(339)**	**-**	**(339)**
	-	**(275)**	**-**	**(275)**

12. FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 9 April 2016				
Financial assets				
Currency swaps	-	34	-	34
Financial liabilities				
Interest rate swaps	-	(345)	-	(345)
	-	(311)	-	(311)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 24 September 2016				
Financial assets				
Currency swaps	-	53	-	53
Financial liabilities				
Interest rate swaps	-	(404)	-	(404)
	-	(351)	-	(351)

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 8 April 2017 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 Ireland) 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 8 April 2017 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
Chartered Accountants and Statutory Auditor
London, UK
16 May 2017