MITCHELLS & BUTLERS PLC
LEI no: 213800JHYNDNB1NS2W10

23 May 2019

HALF YEAR RESULTS

(For the 28 weeks ended 13 April 2019)

- **Adjusted operating profit[a] and margin[a] growth**
- **Continued market outperformance[b]**
- **Momentum growing from fresh initiatives**

Trading results
- Like-for-like sales[a] growth of 4.1% in the first half
- Adjusted operating profit[a] growth of £10m to £151m (H1 2018 £141m)
- Adjusted earnings per share[a] growth of 15.8% to 16.1p (H1 2018 13.9p)

Operational highlights
- Strong first half with market outperformance and return to profit growth
- Improved returns from capital programme with 208 projects completed
- Sales focused initiatives driving improved performance across the portfolio
- Efficiencies resulted in increased operating margin of 12.7% (H1 2018 12.5%)

Reported results
- Total revenue of £1,186m (H1 2018 £1,130m)
- Operating profit of £140m (H1 2018 £137m)
- Profit before tax of £75m (H1 2018 £69m)
- Basic earnings per share of 14.3p (H1 2018 13.0p)

Balance sheet and cash flow
- Capital expenditure of £90m (H1 2018 £104m), including 2 new site openings and 206 conversions and remodels (H1 2018 220)
- Adjusted free cash flow[a] of £23m (H1 2018 £(3)m)
- Net debt reduced to £1.63bn (H1 2018 £1.72bn) representing 3.8 times adjusted EBITDA[a] (H1 2018 4.1 times)

Phil Urban, Chief Executive, commented:

"This is a strong set of results, demonstrating that we continue to build momentum in the business, delivering sales growth, sustained market outperformance[b] and a return to operating profit growth all while reducing leverage to below four times. 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 delivering with many small advances at site level driving significant benefits in aggregate. We will maintain our focus on these initiatives which we believe are transforming the business."

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. Alternative performance measures are explained later in this announcement.

b – As measured by the Coffer Peach business tracker.

There will be a presentation today for analysts and investors at 8.30am at the Glazier's Hall, 9 Montague Close, London, SE1 9DD. A live webcast of the presentation will be available at www.mbplc.com. The presentation will also be accessible by phone: 0203 936 2999, access code: 173906. The replay will be available until 30 May 2019 on 0203 936 3001, access code: 157226.

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

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Note for editors:
Mitchells & Butlers is a leading operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Stonehouse, Vintage Inns, Browns, Castle, Nicholson's, O'Neill's and Ember Inns. In addition, it operates Innkeeper's 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 are delighted to report a strong first half performance delivering improved like-for-like sales[a] growth, continued trading outperformance[b] against the market and adjusted operating profit growth[a]. Total revenue of £1,186m grew by 5.0%. Like-for-like sales[a] grew by 4.1% in the first half and by 3.8% in the 33 weeks to 18 May, which includes the movement of Easter into the second half. Sustained like-for-like sales growth is largely the result of our continued focus on a number of initiatives under our Ignite 2 programme of work designed to deliver incremental gains which, in aggregate, are transformative to the performance of the Company.

Despite the cost pressures which continue to impact the industry, we have achieved adjusted operating profit[a] growth of £10m. After separately disclosed items totalling a net charge of £11m, which include an exceptional pension charge, growth in profit before tax was £6m. Adjusted operating profit growth[a] has been achieved through improved trading performance and a relentless focus on improving the efficiency of the business, with Ignite 2 workstreams identifying multiple areas of opportunity where our work is delivering results.

The market backdrop remains uncertain due to the political and economic landscape in the UK. However we are pleased with the progress of our trading performance and with the momentum the business carries into the second half of the year.

Trading

Our trading performance has strengthened with like-for-like sales[a] continuing to outperform the market, which grew by c.1.0% in the period. Both our performance and that of the market benefits from the absence of snow which impacted the prior year and which is partly balanced by the movement of Easter into the second half this year. The net operating profit impact of these movements is a benefit of £5m. The drivers of our outperformance are the continued focus on enhancing the quality of our estate through investment and the Ignite 2 initiatives which have delivered improved trading performances across all of our brands.

Enhancement in the quality of our estate through capital investment has bolstered like-for-like sales. The trading performance of sites improves following investment as we upgrade amenity levels and tailor the environment to appeal to the preferences of our guests in each of our brands. Brand environments are continuously evolving, and we use guest feedback and market research to enhance the effectiveness of our investment programme which we expect to continue to deliver value.

Our uninvested estate, of 1,350 sites, which has not received investment in the last year has also performed well with like-for-like sales[a] growth of 2.1% in the first half, demonstrating that capital investment is not the sole driver of improved trading performance. The broad-based improvement in trading across our brands has been influenced by a number of Ignite 2 workstreams. An example of one of these initiatives is a focus on each team member taking the opportunity to offer an additional item to guests such as a side dish, a dessert or an extra drink. We are able to track and monitor success by transaction and the combined effect of each of our guest-facing teams executing this initiative across our sites is powerful at the consolidated group level.

Cost Management

Adjusted operating margin[a] growth of 0.2ppts is the result of our continued focus on improving efficiency across the company in the face of the continued inflationary cost headwinds which impact our industry.

One area of particular focus is labour efficiency, our largest cost. We updated you on our labour deployment system last year which has put us in a far better position to be able to plan and deploy labour in line with individual site sales forecasts and trading patterns. The focus this year has been on making that software work hard to enable managers to deliver enhanced efficiency in their businesses. In order to support our managers we have developed a team of experts, made up of the best users of the system, who are paired with managers who have struggled to improve efficiency. The results of this initiative have been immediate, and we have the opportunity to realise further efficiencies by continuously improving the base line performance.

In another workstream we have been focusing on site level purchases of sundry items which could previously have been made in cash by the manager, thus losing the leverage of our purchasing power and restricting our visibility of the nature of these purchases. We have introduced a non-cash solution which has been in place for the majority of the first half of the year and which facilitates a reduction in the incidental costs of each business by allowing us to buy at scale. By putting operational focus on these purchases, in totality across our estate, the resulting cost saving has been substantial.

IGNITE 2

Our Ignite 2 programme of work continues to deliver individual gains across several areas. The programme of work remains focused on our three strategic priorities:
- Build a more balanced business
- Instil a more commercial culture
- Drive an innovation agenda

Building a more balanced business

Our priority in this area continues to be to maximise value creation from our estate of around 1,700 largely freehold sites. We have been unlocking value through our estate investment plan by ensuring optimal brand fit in each site with improved amenity standards and an evolving brand environment to meet the needs of our guests. Whilst we have increased capital investment over the past 3 years there is significant value still to be realised, with over 250 sites which have not been invested in for over 7 years. As we move closer to our target 6 to 7 year investment cycle the proportion of the estate without recent investment reduces, improving the overall quality of our properties.

Last year, we accelerated the number of capital projects in the first half of the year in order to capture more of the post investment benefit in year. This year we have broadly maintained the weighting of projects in the first half, completing 206 conversion, remodel and growth projects and 2 acquisitions. Capital spend has reduced slightly through marginally fewer projects and as the proportion of conversion projects reduces and remodels increase. We have been pleased with the increased returns generated from our investment programme, particularly on more recent projects.

Miller & Carter continues to perform very strongly and, in the second half of the financial year, we will open our first site in Germany, building on the infrastructure of our Alex brand. This is an opportunity to test the concept in a new market and, if successful, would provide a further pipeline of growth for the brand.

We have also been focusing on enhancing our accommodation offer under our Innkeepers Lodge brand. We have over 900 rooms across the estate with the majority attached to one of our managed sites. Over the past 18 months, we have been investing in our accommodation in order to enhance the amenity level and diversify the portfolio such that rooms are appropriately positioned in the context of the site brand they are attached to. By the end of FY20, we will have refurbished all our room stock and will have rooms from the top end of the budget sector to premium boutique rooms attached to Premium Country Pubs and Miller & Carters. We have also invested in the management system which supports the booking of our accommodation and plan to relaunch the brand to the market on completion of the refurbishment programme.

Instilling a more commercial culture

We continue to work hard across many fronts to instil a more commercial culture across all aspects of our business, centrally and at site level. By empowering people across the business to challenge the commerciality of processes through Ignite 2 we have identified areas where marginal improvements can add up to substantial gains.

From a trading perspective, the benefit of improved commercial skills from sales workshops coupled with increased local ownership of sales-driving activity can be seen in a broad-based improvement in all brands' sales performance. This improvement has also been aided by specific sales focused Ignite workstreams including encouraging our team members to find additional selling opportunities across the 100 million meals and nearly 400 million drinks we sell each year and the enhanced use of our table management software and booking capabilities. We have also continued to benefit from the introduction of reputation.com to the business, giving managers local ownership and oversight of feedback from guests.

Centrally, we have become more sophisticated in our approach to pricing, enabling us to be more agile in positioning each site within their local market and more refined in our approach to the pricing of products within one site. We know that consumers are willing to pay for quality and that different occasions command varying propensities to trade up a menu, therefore by providing a range of products and add-ons within one menu we can accommodate a variety of guest needs whilst also enabling the guests to flex their experience to suit the occasion.

We have also invested in our labour and stock management systems which are designed to give our managers the tools to drive efficiencies within their businesses.

Drive an innovation agenda

Our innovation agenda focuses on enhancing our technological and digital capability and developing new products and concepts to position ourselves to benefit from changing consumer behaviour and expectations.

We have made significant improvements in our ability to communicate with guests, including a more seamless booking process which has resulted in an increased conversion of website visits to bookings. We have also enhanced our ability to send personalised marketing communication allowing us to be more targeted in our messaging to guests as well as continuing to invest in our brand apps and websites.

Delivery continues to be a growth area of the industry and we now have over 170 sites live with Deliveroo and JustEat. As this market develops we continue to look for opportunities which fit our core business operations. We also have options for guests to pay via their mobile at all sites as well as our order at table facility which is being trialled in O'Neill's. Our next focus is to create a data platform which will enable us to integrate quickly and smoothly with third party software, allowing us to be more nimble in our response to developments in the market place.

THE EXTERNAL ENVIRONMENT

The political and macroeconomic environments we operate in remain uncertain. Studies indicate that Brexit has negatively impacted consumer confidence and created high levels of uncertainty around the wider financial and economic context within which consumers will make decisions. However, on the whole our market has been relatively resilient, with consumers proving that they still want to eat and drink out and spend money on social experiences, particularly special occasions. Turnover in the eating out market grew by 1.6% in the year to March 2019 with an improving trajectory despite the challenges the consumer faces. The initiatives undertaken by the business have resulted in like-for-like sales[a] growth ahead of the market[b] demonstrating that we are also growing our share of the market.

We continue to closely monitor Brexit developments and have been working to develop a contingency plan alongside our main supply chain partners, including the provision of additional storage facilities. Should a 'no deal' scenario take place we believe these actions will help mitigate and reduce the potential disruption.

Uncertainty is a challenge for businesses which need to be able to forecast accurately in order to make decisions. This, coupled with the oversupply into the casual dining market, has resulted in a number of casualties in the industry. As a result, supply has started to decrease with managed restaurant numbers reducing for the first time this decade, by 1.1% in the year to March.

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

OUTLOOK

Like-for-like sales[a] in the last 33 weeks, including the period since the half year, have grown by 3.8%.

We are pleased with the continued progress of our trading performance and see the return to adjusted operating profit growth[a] as an important milestone in the Company's performance. Looking forward, whilst we expect the market we operate in to remain tough and with limited visibility, we are confident in our ability to continue to out-perform based on the many initiatives that we are now seeing make a real difference to both the competitiveness and efficiency of our business.

FINANCIAL REVIEW

On a statutory basis, profit before tax for the period was £75m (H1 2018 £69m), on sales of £1,186m (H1 2018 £1,130m).

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 trading of the Group. Separately disclosed items are those which are separately identified by virtue of their size or incidence.

	Statutory		Adjusted [a]	
	H1 2019 £m	H1 2018 £m	H1 2019 £m	H1 2018 £m
Revenue	1,186	1,130	1,186	1,130
Operating profit	140	137	151	141
Profit before tax	75	69	86	73
Earnings per share	14.3p	13.0p	16.1p	13.9p
Operating profit margin	11.8%	12.1%	12.7%	12.5%

At the end of the period, the total estate comprised 1,745 sites in the UK and Germany of which 1,677 were directly managed.

Changes in accounting policies

The Company has adopted IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) in the period neither of which have had a material impact on the financial statements, see note 1 for further details.

In the next financial year the Company will adopt IFRS 16 (Leases), and expects to do so using the modified retrospective (asset equals liability) approach. This essentially means that all leases (with some exceptions) will be recognised on balance sheet through a right of use asset and related lease liability. In the income statement operating lease costs will be replaced by depreciation of the asset and interest on the liability. There is no cash impact. Guidance as to the impact on financial statements, which will depend partly on conditions prevailing at the start of the year, will be given in the financial statements for the current year.

Revenue

The Group's total revenue of £1,186m were 5.0% higher than the first half last year, due predominantly to growth in like-for-like sales.

Total like-for-like sales[a] grew by 4.1% with food sales[a] up by 3.5% and drink sales[a] by 4.5%. Growth was generated across both the invested and uninvested estates, with the Ignite 2 initiatives and workstreams delivering improved performance across all our brands. Volumes of food and drink fell 0.9% and 0.2% respectively, an improvement on recent trends, with average spend per item on food up 4.6%, and average drink spend up 4.8%, both reflecting the impact of the increasing premiumisation of the estate.

Like-for-like sales[a] for the 33 weeks to 18 May, which are not impacted by the timing of Easter, were up by 3.8%.

Like-for-like sales[a] growth:	**Weeks 1 – 14**	**Weeks 1 – 28**	**Weeks 1 – 33**
	FY 2019	**FY 2019**	**FY 2019**
Food	4.6%	3.5%	3.6%
Drink	4.8%	4.5%	3.9%
Total	4.7%	4.1%	3.8%

Separately disclosed items

Separately disclosed items comprise a £19m past service cost for an increase in defined benefit pension obligation, being the estimated additional liability required to equalise for guaranteed minimum pensions; £1m net profit arising on disposal of property; and, a £7m revaluation on reclassification of property to assets held for sale, reversing previous impairment recognised on those properties.

Operating profit and margins

Adjusted operating profit[a] for the first half was £151m, 7.1% higher than the same period last year. Whilst the benefit of Easter falls in the second half this year, growth in the period did benefit from the absence of last year's cold weather and snow. The operating profit impact of these movements is a benefit of £5m. Increasingly the impact of the multiple Ignite 2 initiatives we are undertaking, as outlined above, is becoming evident in the improving performance and momentum of the business leading to growth in adjusted operating profit of £10m, after £37m of inflationary costs partially offset by £13m of savings and efficiencies.

Adjusted operating margin[a] of 12.7% was 0.2ppts higher than last year.

Inflationary cost pressures for the year remain in line with expectations, particularly impacting labour, utilities, property costs, energy, food and drink costs.

Interest

Net finance costs of £65m were £3m 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 2018 £7m).

Earnings per share

Basic earnings per share, after the separately disclosed items described above, were 14.3p (H1 2018 13.0p). Adjusted earnings per share[a] were 16.1p, 15.8% higher than last year. The weighted average number of shares in the period was 428m. The total number of shares issued at the date of announcement is 428m.

Cash flow and net debt

The cash flow statement below excludes movements on unsecured revolving facilities which remained undrawn on at the half year (H1 2018 outflow of £6m).

	H1 2019	H1 2018
	£m	**£m**
EBITDA before separately disclosed items[a]	217	206
Cost charged in respect of share-based payments	2	1
Administrative pension costs	1	1
Operating cash flow before adjusted items, movements in working capital and additional pension contributions	**220**	**208**
Working capital movement	33	32
Pension deficit contributions	(24)	(23)
Cash flow from operations before adjusted items	**229**	**217**
Cash flow from adjusted items	(1)	-
Capital expenditure	(90)	(104)
Interest	(56)	(60)
Tax	(17)	(13)
Disposals	1	4
Net cash flow	**66**	**44**
Mandatory bond amortisation	(43)	(40)
Net cash flow before dividends	**23**	**4**
Dividend	-	(7)
Net free cash flow[a]	**23**	**(3)**

The business generated £217m of EBITDA before separately disclosed items (H1 2018 £206m) with the increase from prior year driven by improved trading performance.

Net debt of £1,627m at the half year (H1 2018 £1,718m), represented 3.8 times adjusted EBITDA[a] (H1 2018 4.1 times).

Capital expenditure

Total maintenance and infrastructure capex of £30m was marginally higher than last year due to increased investment in technology and systems.

We have continued to prioritise the number of capital projects undertaken in the first half in order to achieve more in-year benefit post investment as we move closer towards our 6 to 7 year investment cycle target. In the half year we remodelled or converted 206 sites (H1 2018: 220 sites) and opened 2 new sites (H1 2018: 4 sites). Return on projects continues to improve.

	H1 2019		H1 2018	
	£m	**#**	**£m**	**#**
Maintenance and infrastructure	**30**		**29**	
Remodels - refurb	43	182	51	181
Remodels – expansionary	4	11	5	13
Conversions	8	13	16	26
Acquisitions – freehold	-	-	-	-
Acquisitions – leasehold	5	2	3	4
Total return generating capital expenditure	**60**	**208**	**75**	**224**
Total capital expenditure	**90**		**104**	

Pensions

The company continues to make pensions deficit payments as agreed as part of the triennial pensions valuation with the schemes' Trustee at 31 March 2016, which showed an asset funding shortfall at that time of £451m. The deficit is being funded by cash contributions of £48m per annum indexed to 2023 with a potential additional £13m payment into escrow in 2024, as per the agreement reached in 2013.

This schedule of contributions will be reassessed as a part of the subsequent triennial valuation, dated as at 31 March 2019, which is ongoing.

As previously disclosed, legal proceedings between the company and the Trustee concerning the power to determine the rate of inflation to be applied to increases for certain sections of the membership of Mitchells & Butlers Pension Plan are expected to be heard in mid-2020.

Dividends

The Board is not declaring an interim dividend. As previously set out and in making this assessment the Board is mindful of its fixed charge obligations (notably debt service and pension payments) and considers the need to continue investment to maintain the condition and competitiveness of the estate to be of primary importance for the long-term health of the business.

Risk factors and uncertainties

The risks and uncertainties that affect the company remain unchanged and are set out on pages 38 – 42 of the 2018 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. Alternative performance measures are explained later in this announcement.

b – As measured by the Coffer Peach business tracker.

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 22 May 2019 and is signed on its behalf by Tim Jones, Finance Director.

GROUP CONDENSED INCOME STATEMENT
for the 28 weeks ended 13 April 2019

	Notes	**2019 28 weeks (Unaudited) Before separately disclosed items[a] £m**	**2019 28 weeks (Unaudited) Total £m**	2018 28 weeks (Unaudited) Before separately disclosed items[a] £m	2018 28 weeks (Unaudited) Total £m	2018 52 weeks (Audited) Before separately disclosed items[a] £m	2018 52 weeks (Audited) Total £m
Revenue		**1,186**	**1,186**	1,130	1,130	2,152	2,152
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio		**(969)**	**(988)**	(924)	(924)	(1,730)	(1,736)
Net profit arising on property disposals		**-**	**1**	-	1	-	1
EBITDA[b]		**217**	**199**	206	207	422	417
Depreciation, amortisation and movements in the valuation of the property portfolio		**(66)**	**(59)**	(65)	(70)	(119)	(162)
Operating profit		**151**	**140**	141	137	303	255
Finance costs	4	**(62)**	**(62)**	(65)	(65)	(119)	(119)
Finance revenue	4	**1**	**1**	1	1	1	1
Net pensions finance charge	4,11	**(4)**	**(4)**	(4)	(4)	(7)	(7)
Profit before tax		**86**	**75**	73	69	178	130
Tax expense	5	**(17)**	**(14)**	(14)	(14)	(33)	(26)
Profit for the period		**69**	**61**	59	55	145	104
Earnings per ordinary share:	6						
Basic		**16.1p**	**14.3p**	13.9p	13.0p	34.1p	24.5p
Diluted		**16.0p**	**14.2p**	13.8p	12.9p	34.0p	24.4p

a Separately disclosed items are explained 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 13 April 2019

	Notes	**2019 28 weeks £m (Unaudited)**	2018 28 weeks £m (Unaudited)	2018 52 weeks £m (Audited)
Profit for the period		**61**	55	104
Items that will not be reclassified subsequently to profit or loss:				
Unrealised loss on revaluation of the property portfolio		**-**	-	(5)
Remeasurement of pension liability	11	**17**	3	5
Tax relating to items not reclassified	5	**(3)**	4	-
		14	7	-
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		**(28)**	(5)	16
- Reclassification adjustments for items included in profit or loss		**18**	33	34
Tax relating to items that may be reclassified	5	**2**	(5)	(8)
		(9)	23	42
Other comprehensive income after tax		**5**	30	42
Total comprehensive income for the period		**66**	85	146

GROUP CONDENSED BALANCE SHEET
13 April 2019

ASSETS	Notes	**2019 13 April £m (Unaudited)**	2018 14 April £m (Unaudited)	2018 29 September £m (Audited)
Goodwill and other intangible assets	8	**12**	10	11
Property, plant and equipment	8	**4,448**	4,464	4,426
Lease premiums		**1**	1	1
Interests in associates		**5**	-	5
Deferred tax asset		**61**	100	63
Derivative financial instruments	12	**41**	26	44
Total non-current assets		**4,568**	4,601	4,550
Inventories		**28**	27	26
Trade and other receivables		**56**	44	56
Other cash deposits	9	**120**	120	120
Cash and cash equivalents	9	**145**	138	122
Derivative financial instruments	12	**4**	3	4
Assets held for sale	8	**13**	-	-
Total current assets		**366**	332	328
Total assets		**4,934**	4,933	4,878
LIABILITIES				
Pension liabilities	11	**(49)**	(48)	(49)
Trade and other payables		**(344)**	(324)	(302)
Current tax liabilities		**(7)**	(3)	(9)
Borrowings		**(237)**	(231)	(233)
Derivative financial instruments	12	**(36)**	(40)	(37)
Total current liabilities		**(673)**	(646)	(630)
Pension liabilities	11	**(183)**	(223)	(200)
Borrowings		**(1,699)**	(1,775)	(1,744)
Derivative financial instruments	12	**(217)**	(225)	(207)
Deferred tax liabilities		**(283)**	(316)	(285)
Provisions		**(42)**	(43)	(43)
Total non-current liabilities		**(2,424)**	(2,582)	(2,479)
Total liabilities		**(3,097)**	(3,228)	(3,109)
Net assets		**1,837**	1,705	1,769
EQUITY				
Called up share capital		**37**	37	37
Share premium account		**26**	25	26
Capital redemption reserve		**3**	3	3
Revaluation reserve		**1,197**	1,201	1,197
Own shares held		**(1)**	(1)	(1)
Hedging reserve		**(210)**	(221)	(202)
Translation reserve		**13**	14	14
Retained earnings		**772**	647	695
Total equity		**1,837**	1,705	1,769

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 13 April 2019

	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 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**
Profit for the period	-	-	-	-	-	-	-	49	**49**
Other comprehensive income	-	-	-	(4)	-	19	-	(3)	**12**
Total comprehensive income	-	-	-	(4)	-	19	-	46	**61**
Share capital issued	-	1	-	-	-	-	-	-	**1**
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	**2**
At 29 September 2018 (Audited)	**37**	**26**	**3**	**1,197**	**(1)**	**(202)**	**14**	**695**	**1,769**
Profit for the period	-	-	-	-	-	-	-	61	**61**
Other comprehensive income	-	-	-	-	-	(8)	(1)	14	**5**
Total comprehensive income	-	-	-	-	-	(8)	(1)	75	**66**
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	**2**
At 13 April 2019 (Unaudited)	**37**	**26**	**3**	**1,197**	**(1)**	**(210)**	**13**	**772**	**1,837**

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 13 April 2019

	Notes	**2019 28 weeks £m (Unaudited)**	2018 28 weeks £m (Unaudited)	2018 52 weeks £m (Audited)
Cash flow from operations				
Operating profit		**140**	137	255
Add back: adjusted items	3	**11**	4	48
Operating profit before adjusted items		**151**	141	303
Add back:				
Depreciation of property, plant and equipment		**64**	64	116
Amortisation of intangibles		**2**	1	3
Cost charged in respect of share-based payments		**2**	1	3
Administrative pension costs	11	**1**	1	2
Operating cash flow before adjusted items, movements in working capital and additional pension contributions		**220**	208	427
(Increase) in inventories		**(2)**	(3)	(1)
Decrease/(increase) in trade and other receivables		**-**	9	(1)
Increase in trade and other payables		**36**	25	4
(Decrease)/increase in provisions		**(1)**	1	-
Additional pension contributions	11	**(24)**	(23)	(48)
Cash flow from operations before adjusted items		**229**	217	381
Cash flow from adjusted items		**(1)**	-	(2)
Interest paid		**(57)**	(61)	(120)
Interest received		**1**	1	1
Tax paid		**(17)**	(13)	(20)
Net cash from operating activities		**155**	144	240
Investing activities				
Purchases of property, plant and equipment		**(88)**	(103)	(167)
Purchases of intangible assets		**(2)**	(1)	(4)
Proceeds from sale of property, plant and equipment		**1**	4	5
Acquisition of investment in associates		**-**	-	(5)
Net cash used in investing activities		**(89)**	(100)	(171)
Financing activities				
Issue of ordinary share capital		**-**	-	1
Dividends paid (net of scrip dividend)	7	**-**	(7)	(7)
Repayment of principal in respect of securitised debt	10	**(43)**	(40)	(82)
Net movement on unsecured revolving credit facilities	10	**-**	(6)	(6)
Net cash used in financing activities		**(43)**	(53)	(94)
Net increase/(decrease) in cash and cash equivalents	10	**23**	(9)	(25)
Cash and cash equivalents at the beginning of the period		**122**	147	147
Cash and cash equivalents at the end of the financial period		**145**	138	122

Cash and cash equivalents are defined in note 9.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The information for the 52 weeks ended 29 September 2018 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 2018.

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2018, other than the adoption of the new accounting standards set out below.

New standards and interpretations

IFRS 15 Revenue from Contracts with Customers
The Group adopted IFRS 15 on 30 September 2018 using the modified transition method, which does not require the restatement of comparatives. Accordingly, the information presented for comparative periods is presented, as previously reported, under IAS 18 Revenue, and related interpretations.

IFRS 15 provides a single, five-step revenue recognition model, applicable to all sales contracts, which is based upon the principle that revenue is recognised when control of goods or services is transferred to the customer. It replaces all existing revenue recognition guidance under current IFRS.

Almost all of the Group's revenue relates to sales of drink, food and accommodation in pubs and restaurants, for which the consideration is known and the performance obligations are satisfied at the point of sale. As such, the adoption of IFRS 15 has not had a material impact on the recognition of revenue for the Group. Accordingly, no separate presentation of its impact on the interim financial information is presented.

IFRS 9 Financial Instruments
The Group adopted IFRS 9 on 30 September 2018 and has applied it prospectively. Accordingly, the information presented for comparative periods has not been restated and is presented, as previously reported, under IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 covers the classification, measurement and recognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment of financial assets. IFRS 9 has not had a material impact on the recognition of financial assets and liabilities including derivative financial instruments.

The requirements of the new hedge accounting model have not had a material impact on the Group's financial performance or financial position. The Group's interest rate swaps and currency swap were considered highly effective under the previous standard, IAS 39, and qualified for hedge accounting which they continue to do under IFRS 9.

As the adoption of IFRS 9 has no material impact on the Group, no separate presentation of its impact on the interim financial information is presented.

1. GENERAL INFORMATION (CONTINUED)

Impact of standards issued but net yet effective

IFRS 16 Leases
As noted in the Annual Report and Accounts 2018 the Group expects IFRS 16 Leases, which will replace IAS 17 Leases, to have a material impact on the reported assets, liabilities and income statement of the Group. The Group will be required to adopt the new standard for its financial year commencing 29 September 2019.

Under IFRS 16, lessees are required to recognise a right-of-use asset and a corresponding liability for all leases except for low value assets or where the lease term is 12 months or less. As a result of this change, the income statement will include depreciation of the right-of-use asset and interest on the liability, rather than the rental expense recognised under IAS 17.

As set out in the Annual Report and Accounts 2018, the Group had operating lease commitments of £670m at 29 September 2018, and therefore the adoption of IFRS 16 will have a material impact on the Group.

Given the number of leases and historical data requirements to adopt the fully retrospective approach, the Group intends to apply the modified retrospective approach, with assets equal to liabilities, at transition. This approach will not require restatement of comparative information.

The Group has established a working group to ensure we take all the necessary steps to comply with the requirements of IFRS 16. The working group includes our outsource partners who manage estate activity as well as key members of our finance and property teams. The project is well progressed, with work to select appropriate system solutions now complete. The project is also well progressed with the detailed review of lease data, discount rate methodology and the agreement of accounting policies.

Until the project has been finalised, it is not practicable to provide a reasonable estimate of the financial effect of IFRS 16 on the financial statements of the Group. The estimated impact on the Group's results and financial position will be provided in the financial statements for the 52 weeks ending 28 September 2019.

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. In addition, a robust review has been undertaken of projected performance against all financial covenants. As a result, the Directors have concluded that the going concern basis remains appropriate.

2. SEGMENTAL ANALYSIS

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

3. SEPARATELY DISCLOSED ITEMS

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

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, legal costs associated with the dispute in relation to the defined benefit pension scheme and past service cost in relation to the defined benefit pension obligation.

Further information is available in the Annual Report and Accounts 2018.

	Notes	**2019 28 weeks £m**	2018 28 weeks £m	2018 52 weeks £m
Adjusted items				
Legal costs associated with the defined benefit pension scheme	a	**-**	-	(6)
Increase in defined benefit pension obligation	b	**(19)**	-	-
Total adjusted items recognised within operating costs		**(19)**	-	(6)
Net profit arising on property disposals	c	**1**	1	1
Movement in the valuation of the property portfolio:				
- Impairment arising from the revaluation	d	**-**	-	(28)
- Revaluation of assets held for sale	e	**7**	-	-
- Impairment of short leasehold and unlicensed properties	f	**-**	(5)	(15)
Net movement in the valuation of the property portfolio		**7**	(5)	(43)
Total adjusted items before tax		**(11)**	(4)	(48)
Tax credit relating to the above items		**3**	-	7
Total adjusted items after tax		**(8)**	(4)	(41)

a As previously disclosed in the Annual Report and Accounts 2018, there are ongoing legal proceedings between the Company (as principal employer) and Mitchells & Butlers Pensions Limited (as Trustee) for which costs have been incurred both by the Company and by the Trustee, but which the Company has agreed to pay. The legal proceedings are in relation to the Mitchells & Butlers Pension Plan (MABPP), whereby the Trust Deed and Rules provide that it is a matter for the Company to determine the rate of inflation which should be applied to pension increases for certain sections of the membership in excess of guaranteed minimum pensions. The Company has instructed the Trustee to apply CPI (subject to certain caps) in respect of such increases. The Trustee believes that this power was incorrectly vested in the Company in the Trust Deed and Rules of the MABPP in 1996 and, despite it being reflected in further versions of the Trust Deed and Rules, has made an application to court for those various Trust Deed and Rules to be rectified. It is the Board's belief that the Company holds the power to fix such an inflation index and the Company is therefore contesting that application. The hearing is expected to be heard in mid-2020.

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

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

d Impairment arising from the Group's revaluation of its pub estate where the carrying values of the properties exceed their recoverable amount.

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

f Impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount.

4. FINANCE COSTS AND FINANCE REVENUE

	2019 28 weeks £m	2018 28 weeks £m	2018 52 weeks £m
Finance costs			
Interest on securitised debt	**(59)**	(62)	(114)
Interest on other borrowings	**(3)**	(3)	(4)
Unwinding of discount on provisions	**-**	-	(1)
Total finance costs	**(62)**	(65)	(119)
Finance revenue			
Interest receivable – cash	**1**	1	1
Net pensions finance charge (note 11)	**(4)**	(4)	(7)

5. TAXATION

The taxation charge for the 28 weeks ended 13 April 2019 has been calculated by applying an estimate of the annual effective tax rate before adjusted items of 19.9% (2018 28 weeks, 19.6%).

Tax charged in the income statement	**2019 28 weeks £m**	2018 28 weeks £m	2018 52 weeks £m
Current tax:			
- UK corporation tax	**(15)**	(12)	(28)
- Amounts (under)/over provided in prior periods	**-**	(1)	2
Total current tax charge	**(15)**	(13)	(26)
Deferred tax:			
- Origination and reversal of temporary differences	**1**	(2)	-
- Adjustments in respect of prior periods	**-**	1	-
Total deferred tax credit/(charge)	**1**	(1)	-
Total tax charged in the income statement	**(14)**	(14)	(26)
Further analysed as tax relating to:			
Profit before adjusted items	**(17)**	(14)	(33)
Adjusted items	**3**	-	7
	(14)	(14)	(26)

5. TAXATION (CONTINUED)

Tax relating to items recognised in other comprehensive income	**2019 28 weeks £m**	2018 28 weeks £m	2018 52 weeks £m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised losses due to revaluations – revaluation reserve	**-**	-	1
- Unrealised gains due to revaluations – retained earnings	**-**	5	-
- Remeasurement of pension liability	**(3)**	(1)	(1)
	(3)	4	-
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges:			
- Losses/(gains) arising during the period	**5**	1	(3)
- Reclassification adjustments for items included in profit or loss	**(3)**	(6)	(5)
	2	(5)	(8)
Total tax charge recognised in other comprehensive income	**(1)**	(1)	(8)

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 14 April 2018, 29 September 2018 and 13 April 2019.

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 13 April 2019			
Profit/EPS	**61**	**14.3 p**	**14.2 p**
Adjusted items, net of tax	**8**	**1.8 p**	**1.8 p**
Adjusted profit/EPS	**69**	**16.1 p**	**16.0 p**
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
52 weeks ended 29 September 2018			
Profit/EPS	104	24.5 p	24.4 p
Adjusted items, net of tax	41	9.6 p	9.6 p
Adjusted profit/EPS	145	34.1 p	34.0 p

6. EARNINGS PER SHARE (CONTINUED)

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

	2019 28 weeks millions	2018 28 weeks millions	2018 52 weeks millions
For basic EPS calculations	**428**	424	425
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	**1**	1	2
- Other share options	**1**	1	-
For diluted EPS calculations	**430**	426	427

7. DIVIDENDS

No dividends have been declared or paid in the 28 weeks ended 13 April 2019. Dividends declared or paid in prior periods are as follows.

	28 weeks ended 14 April 2018		
Declared and paid in the period	Cash dividend £m	Settled via scrip £m	Total dividend £m
Final dividend of 5.0p per share - 53 weeks ended 30 September 2017	7	14	21
	7	14	21

	52 weeks ended 29 September 2018		
Declared and paid in the period	Cash dividend £m	Settled via scrip £m	Total dividend £m
Final dividend of 5.0p per share - 53 weeks ended 30 September 2017	7	14	21
	7	14	21

8. PROPERTY, PLANT AND EQUIPMENT

	2019 13 April £m	2018 14 April £m	2018 29 September £m
At beginning of period	**4,426**	4,429	4,429
Additions	**93**	106	164
Revaluation/(impairment)	**7**	(5)	(48)
Disposals	**(1)**	(2)	(3)
Depreciation provided during the period	**(64)**	(64)	(116)
Transfers to assets held for sale	**(13)**	-	-
At end of period	**4,448**	4,464	4,426

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The freehold and long leasehold licensed properties were valued at market value as at 29 September 2018 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 £nil (2018 28 weeks £5m, 2018 52 weeks £15m) in relation to short leasehold properties.

During the period, a group of properties have been classified as held for sale. At 13 April 2019 the net book value of these properties was £13m. A revaluation uplift of £7m has been recognised in the period to increase the carrying value of these assets to the fair value less costs to sell, where this is higher. The revaluation uplift has been recognised in the income statement as it reverses a previously recognised impairment.

Goodwill and other intangible assets at 13 April 2019 comprise goodwill of £2m (14 April 2018 £2m, 29 September 2018 £2m) and computer software of £10m (14 April 2018 £8m, 29 September 2018 £9m).

Capital commitments
The total amount contracted for but not provided in the financial statements was £22m (14 April 2018 £17m, 29 September 2018 £24m).

9. ANALYSIS OF NET DEBT

	2019 13 April £m	2018 14 April £m	2018 29 September £m
Cash and bank balances	**145**	138	122
Cash and cash equivalents	**145**	138	122
Other cash deposits	**120**	120	120
Securitised debt	**(1,789)**	(1,859)	(1,830)
Liquidity facility	**(147)**	(147)	(147)
Derivatives hedging balance sheet debt[a]	**44**	30	47
	(1,627)	(1,718)	(1,688)

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

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

Securitised debt
The overall cash interest rate payable on the loan notes is fixed at 6.2% (14 April 2018 6.2%, 29 September 2018 6.2%) after taking account of interest rate hedging and the cost of the provision of a financial guarantee provided by Ambac in respect of the Class A and AB notes.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other Group companies. At 13 April 2019, Mitchells & Butlers Retail Limited had cash and cash equivalents of £69m (14 April 2018 £79m, 29 September 2018 £54m). Of this amount £1m (14 April 2018 £1m, 29 September 2018 £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.

9. ANALYSIS OF NET DEBT (CONTINUED)

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

	2019 13 April £m	2018 14 April £m	2018 29 September £m
Principal outstanding at beginning of period	**1,832**	1,911	1,911
Principal repaid during the period	**(43)**	(40)	(82)
Exchange on translation of dollar loan notes	**(3)**	(15)	3
Principal outstanding at end of period	**1,786**	1,856	1,832
Deferred issue costs	**(5)**	(6)	(5)
Accrued interest	**8**	9	3
Carrying value at end of period	**1,789**	1,859	1,830

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 13 April 2019 is £147m (14 April 2018 £147m, 29 September 2018 £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 13 April 2019 is £nil (14 April 2018 £nil, 29 September 2018 £nil). All committed facilities expire on 31 December 2020.

10. MOVEMENT IN NET DEBT

	2019 28 weeks £m	2018 28 weeks £m	2018 52 weeks £m
Net increase/(decrease) in cash and cash equivalents	**23**	(9)	(25)
Add back cash flows in respect of other components of net debt:			
- Repayment of principal in respect of securitised debt	**43**	40	82
- Net movement on unsecured revolving facilities	**-**	6	6
Decrease in net debt arising from cash flows	**66**	37	63
Movement in capitalised debt issue costs net of accrued interest	**(5)**	(5)	(1)
Decrease in net debt	**61**	32	62
Opening net debt	**(1,688)**	(1,750)	(1,750)
Closing net debt	**(1,627)**	(1,718)	(1,688)

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 13 April 2019. Scheme assets are stated at market value at 13 April 2019 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:

	2019 **13 April**	2018 14 April	2018 29 September
Discount rate	**2.6%**	2.8%	2.9%
Pensions increases – RPI max 5%	**3.1%**	3.0%	3.0%
Inflation – RPI	**3.3%**	3.1%	3.2%

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:

	2019 **13 April**	2018 14 April	2018 29 September
Implied life expectancies from age 65:			
- MABPP male currently 45	**23.0 years**	22.9 years	23.0 years
- MABEPP male currently 45	**25.6 years**	25.5 years	25.6 years
- MABPP female currently 45	**25.5 years**	25.4 years	25.5 years
- MABEPP female currently 45	**27.9 years**	27.8 years	27.9 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). As a result of the 2016 actuarial valuation, 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. The recovery plans show an unchanged level of cash contributions with no extension to the agreed payment term (£45m per annum indexed with RPI from 1 April 2016 subject to a minimum increase of 0% and maximum of 5%, until 31 March 2023). This agreement is subject to review following completion of the current ongoing actuarial valuation which commenced in March 2019. 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.

11. PENSIONS (CONTINUED)

Amounts recognised in respect of pension schemes

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

Group income statement	2019 28 weeks	2018 28 weeks	2018 52 weeks
	£m	£m	£m
Operating profit			
Employer contributions (defined contribution plans)	**(5)**	(4)	(8)
Administrative costs (defined benefit plans)	**(1)**	(1)	(2)
Charge to operating profit before adjusted items	**(6)**	(5)	(10)
Past service cost (see note 3)	**(19)**	-	-
Charge to operating profit	**(25)**	(5)	(10)
Finance costs			
Net pensions finance income on actuarial surplus	**5**	3	5
Additional pensions finance charge due to minimum funding	**(9)**	(7)	(12)
Net pensions finance charge	**(4)**	(4)	(7)
Total charge	**(29)**	(9)	(17)

Group statement of comprehensive income	2019 28 weeks	2018 28 weeks	2018 52 weeks
	£m	£m	£m
Return on scheme assets and effects of changes in assumptions	**(92)**	85	114
Movement in pension liability due to minimum funding	**109**	(82)	(109)
Remeasurement of pension liability	**17**	3	5

Group balance sheet	2019 13 April £m	2018 14 April £m	2018 29 September £m
Fair value of scheme assets	**2,477**	2,407	2,404
Present value of scheme liabilities	**(2,224)**	(2,127)	(2,068)
Actuarial surplus in the schemes	**253**	280	336
Additional liability recognised due to minimum funding	**(485)**	(551)	(585)
Total pension liability[a]	**(232)**	(271)	(249)
Associated deferred tax asset	**40**	46	43

a. The total pension liability of £232m (14 April 2018 £271m, 29 September 2018 £249m) is presented as a £49m current liability (14 April 2018 £48m, 29 September 2018 £49m) and a £183m non-current liability (14 April 2018 £223m, 29 September 2018 £200m).

11. PENSIONS (CONTINUED)

Movements in the total pension liability are analysed as follows:

	2019 13 April £m	2018 14 April £m	2018 29 September £m
At beginning of period	**(249)**	(292)	(292)
Past service cost	**(19)**		
Administration costs	**(1)**	(1)	(2)
Net pensions finance charge	**(4)**	(4)	(7)
Employer contributions	**24**	23	48
Remeasurement of pension liability	**17**	3	4
At end of period	**(232)**	(271)	(249)

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 13 April 2019				
Financial assets				
Currency swaps	**-**	**45**	**-**	**45**
Financial liabilities				
Interest rate swaps	**-**	**(253)**	**-**	**(253)**
	-	**(208)**	**-**	**(208)**

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 29 September 2018				
Financial assets				
Currency swaps	**-**	48	-	48
Financial liabilities				
Interest rate swaps	**-**	(244)	-	(244)
	-	(196)	-	(196)

13. RELATED PARTY TRANSACTIONS

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

Since becoming associates of the Group, the total value of rent charged on these properties in the 28 weeks to 13 April 2019 was £160,000 (2018 28 weeks £nil, 2018 52 weeks £29,000). In addition, sales of goods and services of £342,000 (2018 28 weeks £nil, 2018 52 weeks £96,000) and loans of £175,000 (2018 28 weeks £nil, 2018 52 weeks £nil) were made to the associates during the 28 weeks to 13 April 2019. The balance due from associates at 13 April 2019 was £254,000 (14 April 2018 £nil, 29 September 2018 £35,000).

There have been no other 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 13 April 2019 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 Financial Conduct Authority. 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 13 April 2019 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, United Kingdom
22 May 2019

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 condensed income statement
Adjusted EBITDA	Annualised EBITDA on a 52 week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group condensed income statement
EBITDA before adjusted items	EBITDA before separately disclosed items.	Group condensed income statement
Operating profit	Earnings before interest and tax.	Group condensed income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group condensed income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	Group condensed Income statement
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 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.	Note 9 Group condensed income statement
Free cash flow	Calculated as net movement in cash and cash equivalents before the movement on unsecured revolving credit facilities.	Group condensed cash flow statement
Return on capital	Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Return on investment is measured for four years following investment. Measurement commences three periods following the opening of the site.	

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

	Source	**2019 28 weeks £m**	2018 28 weeks £m	Year-on -year %
Reported revenue	Group condensed income statement	**1,186**	1,130	
Less non like-for-like sales		**(113)**	(99)	
Like-for-like sales		**1,073**	1,031	**4.1%**
Weeks 29-33 revenue		**222.4**	216.0	
Weeks 29-33 less non like-for-like		**(16.1)**	(14.6)	
Weeks 29-33 like-for-like sales		**206.3**	201.4	2.4%
Like-for-like sales week 1-33		**1,279**	1,232	3.8%

Drink and food sales growth HY 2019

	Source	**2019 28 weeks £m**	2018 28 weeks £m	Year-on -year %
Drink like-for-like sales		**491**	470	**4.5%**
Food like-for-like sales		**555**	536	**3.5%**
Other like-for-like sales		**27**	25	**8.0%**
Total like-for-like sales		**1,073**	1,031	**4.1%**

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	**2019 28 weeks £m**	2018 28 weeks £m	Year-on -year %
Operating profit	Group condensed income statement	**140**	137	**2.2%**
Add back separately disclosed items	Note 3	**11**	4	
Adjusted operating profit		**151**	141	**7.1%**
Reported revenue	Group condensed income statement	**1,186**	1,130	
Adjusted operating margin		**12.7%**	12.5%	**0.2ppts**

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 (see note 3). Excluding these items allows a better understanding of the trading of the Group.

	Source	**2019 28 weeks £m**	2018 28 weeks £m	Year-on -year %
Profit for the period	Group condensed income statement	**61**	55	
Add back separately disclosed items	Note 3	**8**	4	
Adjusted profit		**69**	59	
Weighted average number of shares	Note 6	**428**	424	
Adjusted earnings per share		**16.1p**	**13.9p**	

D. Net Debt: Adjusted EBITDA

The multiple of net debt as per the period end 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	**2019 28 weeks £m**	2018 28 weeks £m
Net debt	Note 9	**1,627**	1,718
Adjusted EBITDA H1	Group condensed income statement	**217**	206
Adjusted EBITDA prior year H2	Group condensed income statement *	**216**	211
Adjustment for 53rd week H2 FY17		**-**	(8)
Adjusted 52 week EBITDA		433	417
Net debt : Adjusted EBITDA		**3.8**	4.1

* H2 measures are calculated from the income statement as the measure for the 52 weeks ended 29 September 2018 less the measure for the 28 weeks ended 14 April 2018.

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	**2019 28 weeks £m**	2018 28 weeks £m
Net decrease in cash and cash equivalents	Group condensed cash flow statement	**23**	(9)
Net movement on unsecured revolving credit facilities	Group condensed cash flow statement	**-**	6
		23	(3)

F. Return on capital

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

	Source	**2019 FY16-H119 £m**	2018 FY15-FY18 £m
Maintenance and infrastructure		**200**	286
Remodel - refurbishment		**213**	170
Non-expansionary capital		**413**	456
Remodel expansionary		**34**	34
Conversions and acquisitions*		**129**	166
Expansionary capital for return calculation		**163**	200
Expansionary capital open < 3 periods pre year end		**8**	13
Total capital	Group condensed cash flow	**584**	669
Adjusted EBITDA	Group condensed income statement	**1,492**	1,714
Non-incremental EBITDA		**(1,461)**	(1,650)
Incremental EBITDA expansionary		**31**	32
Return on expansionary capital		**19%**	16%

*Remodel expansionary, conversion and acquisition capital is net of capex incurred for projects which have been open for less than 12 weeks