MITCHELLS & BUTLERS PLC

27 November 2012

FULL YEAR RESULTS

(For the 53 weeks ended 29 September 2012)

Positioning for long term growth

Statutory results

- EBITDA: £395m (FY 2011: £387m)
- Basic earnings per share, after property revaluation: 17.1p (FY 2011: 30.7p)

Financial performance

- Total revenue of £1,889m, up 3.3%[a]
- Like-for-like sales growth of 2.1%[b], led by food sales
- Recovery in net operating margin in the second half
- Adjusted operating profit of £304m[c], up 1.0%[a] after inflationary costs and investment into service and amenity
- Adjusted earnings per share of 30.5p[c], up 6.4%[a]
- Net cash flow of £32m[d] after expansionary capital of £55m
- Net debt of £1.8bn representing 4.5 times EBITDA[e]

- Like-for-like sales broadly flat in the first 8 weeks of FY 2013

Operational performance

- Business transformation programme underway to improve focus on the guest in all areas
- Central support functions and infrastructure reorganised with £6m saving delivered in FY 2012
- Increased investment in training and service; new training academy opened
- Guest satisfaction and retail employee engagement both improved 5 percentage points
- Building on enhanced technology platform to further improve the customer experience with more targeted marketing
- Award-winning brands and infrastructure projects: Harvester and Toby Carvery top Technomic satisfaction poll; Retail Systems Award for Best Use of Technology; Alex wins Consumer Focus award in Germany; M&B awarded Carbon Trust Standard for the second time.

Property Estate

- £37m reduction in property valuation, a 1% decrease excluding acquisitions and conversions
- 47 new site openings and 10 conversions in the period with expansionary capex of £55m
- EBITDA returns of 17% achieved on expansionary capex invested over the last two years

Bob Ivell, Non-executive Chairman, commented:

“This year we have initiated a significant cultural change programme focused on streamlining internal processes and placing the guest at the heart of everything we do. We have restructured the way we support our operations teams, reduced our central costs and increased the accountability of our senior executives for their brands. I am extremely pleased that we have delivered a resilient financial performance, during a period of such cultural and organisational change.

Since becoming Chairman my foremost priority has been to recruit the right person to lead the business as Chief Executive. Having appointed Alistair, my focus will now shift to enhancing the balance, skills and compliance of the Board through the selection of appropriately qualified independent Non-Executive Directors.”

Alistair Darby, Chief Executive, commented:

“I am delighted to be leading a company with great people and popular branded pubs, bars and restaurants. M&B is well positioned to take maximum advantage of our evolving industry and we have the right strategy in place. I look forward to continuing the business transformation to deliver long term earnings growth and shareholder returns.”

Definitions

a – Growth rates are quoted on a 52 week vs 52 week basis to exclude the benefit of an extra trading week in FY 2012.
b – Like-for-like sales growth is measured over the 52 weeks to 22 September 2012 and includes the sales performance against the comparable period in the prior year of all UK managed pubs that were trading in the two periods being compared. For the 52 weeks to 22 September 2012, 93% of the UK managed estate is included in this measure.
c – Adjusted items are quoted before exceptional items and other adjustments as noted in the Group Income Statement.
d – Net cash flow is detailed within the Financial Review
e – Adjusted EBITDA for the 52 weeks to 22 September 2012.

There will be a presentation for analysts and investors at 9.30am at Nomura International plc, 1 Angel Lane, London, EC4R 3AB. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone: + 44 20 3059 8125 and quote "Mitchells & Butlers". The replay will be available until 11th December 2012 on + 44 121 260 4861 replay access pin 6565693.

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

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Notes for editors:

- Mitchells & Butlers is the UK's largest operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, Vintage Inns, Premium Country Dining Group, Crown Carveries, Village Pub & Kitchen, Sizzling Pubs, All Bar One, Browns, Miller & Carter, Metro Professionals, Alex, Nicholson's, O'Neill's and Ember Inns. Further details are available at www.mbplc.com and supporting photography can be downloaded at www.mbplc.com/imagelibrary

- Mitchells & Butlers serves around 130 million meals and 420 million drinks each year and is one of the largest operators within the UK's £70 billion eating and drinking out market.

BUSINESS REVIEW

Mitchells & Butlers is the UK's largest operator of managed restaurants and pubs, with a leading portfolio of well-recognised brands and a high quality freehold estate. We focus on long-term growth in the eating-out market. Having repositioned the business to deliver a 40% increase in food sales over the last five years, around three-quarters of our turnover is generated from the guests who eat out in our restaurants and pubs.

This year, we have delivered a resilient operating performance in challenging economic conditions whilst initiating a major change programme to put guest service at the heart of our business.

Operating performance

FY 2012 was a 53 week reporting period. To provide a more appropriate comparison to the prior year, results have been restated on a 52 week basis to exclude the last week of the year. Unless otherwise stated, all figures in this Business Review are given on a 52 week basis. A comparative Income Statement is presented below:

	FY 2012 £m (53 weeks)	**FY 2012 £m (52 weeks)**	FY 2011 £m (52 weeks)	Variance (52 weeks)
Revenue	**1,889**	**1,855**	1,796	3.3%
Adjusted EBITDA	**415**	**407**	404	0.7%
Adjusted operating profit	**304**	**297**	294	1.0%
Adjusted PBT	**166**	**162**	156	3.8%
Adjusted EPS	**30.5p**	**29.8p**	28.0p	6.4%

"Adjusted" figures refer to results before exceptional items and other adjustments as noted in the Group Income Statement.

Total revenue growth of 3.3% was driven by like-for-like sales growth of 2.1%. Food sales continue to drive overall sales growth demonstrating the success of our focus on the eating-out market. The brands in the middle to upper end of our spectrum of spend per head have driven this revenue growth.

Like-for-like sales growth	FY 2011 Week 1-52	FY 2012 Week 1-52	FY 2013 Week 1-8
Total	2.6%	2.1%	-0.1%
Food	4.8%	2.9%	1.5%
Drink	1.0%	1.4%	-1.9%

Like-for-like sales in the first week of the new financial year were down as a result of unseasonably warm weather last year; since then, sales have increased by around 1%.

Adjusted operating profit was 1.0% higher than last year at £297m with operating margins slightly lower than last year at 16.0%.

Business change programme

We have initiated a major business transformation programme which is fundamentally changing the way we work to improve the focus on our guests, our people, our practices and our profits. This year, we have taken some important steps towards achieving our vision: 'People love to eat and drink with us'.

Organisational structure: At the half year we reported that we had simplified our central support functions to increase the focus on our guests; to clarify accountabilities and responsibilities; and to improve the pace of decision making through reduced bureaucracy. We appointed Brand Operations Directors with increased accountability for the performance of their brands; Marketing and HR now sit within their teams. We removed around 90 roles from our support functions and we have launched a performance dashboard to align objectives throughout the organisation.

Supporting outstanding customer service: The core of the change programme is our firmly held belief that we need to place customer service at the heart of our organisation. We have already made good progress on this journey which we will build on over the next few years. We have opened a new Training Academy at our Retail Support Centre; established a Talent Development team to ensure we develop the right people across the business; and increased investment in outlet level service, sales and kitchen training. As a result of this investment, staff engagement has improved 5 percentage points among our retail teams; guest satisfaction scores have improved 5 percentage points; and 8% more of our guests than last year would recommend us to their friends and families as a great place to eat and drink.

We are delighted that our brands and support teams are being recognised externally for their achievements. This year, Harvester and Toby Carvery topped a Technomic poll measuring guest satisfaction; Alex collected a national Consumer Focus award in Germany; Vintage Inns won a National Springboard award for excellence; and Harvester, All Bar One, Sizzling Pubs and Premium Country Dining all collected awards for their food development.

Ways of working: To deliver outstanding service we need to enable our restaurant and pub managers to become leaders and coaches rather than implementers and administrators. Our ways of working trials are aimed at giving our people the skills and motivation to deliver outstanding customer service. These trials have now progressed from nine businesses to over 300. This stage is the final element of the trial and, subject to successful completion, full roll-out will begin in 2013.

Innovation: We will use our improved technology infrastructure to deliver better guest experiences and offer more targeted marketing at a lower annual cost. In the past year, we have rolled out free wi-fi across all of our managed businesses in the UK and are currently launching gift cards for all of our brands. Online bookings have increased to 1.5m from 700k in FY 2011 and visitors to our websites are up by one third. We were the first national retailer to launch a voucher in Apple's Passbook app and we continue to innovate in social media with more targeted offers to our guests.

Further developments will follow using this platform in the future, both in increasing the efficiency of our central support functions and in further enhancing guest experiences. During the year, the successful launch of our new IT infrastructure was recognised by a Retail Systems Award for Best Use of Technology in the sector.

Brand roll-out

This year, we have continued the roll-out of our brands across both freehold and leasehold sites. We have opened 47 new sites, primarily Harvester, Miller & Carter, Browns and Toby Carvery, creating 1,500 new jobs. We have also converted 10 sites, largely completing the current conversion programme. 38 of the new openings were leasehold, of which 32 were located on leisure or retail parks. Overall EBITDA returns on expansionary capital invested over the past two years were 17%.

We are focused on increasing the level of returns on expansionary capital investment whilst continuing to grow the estate. We have developed rigorous site criteria and 'target town' models for leisure and retail parks, using the lessons we have learned from our initial expansion into this area.

Outlook

We expect the economic environment to remain challenging. Further inflationary and regulatory cost pressures will impact the business in the new financial year, with ongoing alcohol duty increases, further food price inflation and other cost increases, coupled with continued tightness in consumer incomes. We will maintain our focused and disciplined investment in service and amenity in our estate. Overall, we believe our strong brands and assets together with our business transformation programme leave the Company well positioned to grow further in the year ahead.

FINANCIAL REVIEW

FY 2012 was a 53 week period. A restated 52 week summary Income Statement is detailed in the Business Review. With the exception of the section describing the performance of the Retained Estate, all figures in this Financial Review are stated on a 53 week basis. To provide a meaningful comparison, all year-on-year growth rates are on a 52 week basis.

Total revenues of £1,889m were up 3.3%, driven by like-for-like growth as well as openings of new restaurants and pubs. Adjusted operating profit of £304m was up 1.0% with operating margins declining slightly as a result of increased investment into outlet level service and amenity as well as inflationary and regulatory cost pressures.

After net interest costs of £138m and increased costs of exceptional items and other adjustments (detailed below), profits before tax declined to £83m (2011: £132m), due primarily to movements in the valuation of the property portfolio.

The pre-exceptional tax charge of £41m is an effective rate of 25% of profit before tax, a decrease from 27% in FY 2011, primarily as a result of the reduction in the standard rate of UK corporation tax.

Basic earnings per share reduced to 17.1p (2011: 30.7p).

At the end of the year, the business comprised 1,576 managed businesses in the UK and Germany and 62 leased or franchised businesses.

Retained Estate

In the previous financial year, the Group disposed of 333 non-core pubs for £373m which had contributed £34m of sales and £6m of operating profit in FY 2011.

Excluding this, the Retained Estate delivered revenue growth of 5.3% and adjusted operating profit growth of 3.1% on a 52 week basis.

	FY 2012 £m (52 weeks)	FY 2011 £m (52 weeks)	% growth (52 weeks)
Revenue	**1,855**	1,762	5.3%
Adjusted operating profit	**297**	288	3.1%
Adjusted operating margin	**16.0%**	16.3%	-0.3%

Total sales growth of 5.3% was driven by food sales growth of 8.5%, with drink sales growth of 3.7%. Food sales have now increased to 50% of total sales as the business continues to focus on the long term growth in this market.

Excluding the impact of new site openings, like-for-like sales growth of 2.1% was driven by growth in like-for-like food sales of 2.9%, with like-for-like drink sales up 1.4%. Drink volumes continue to decline, partly as a result of increases in alcohol duty which have led to higher drink prices across the industry. Food main meal volumes were also slightly lower than last year. Guests continue to prioritise special occasions, with sales and volumes significantly up on many of the key events throughout the year.

Over the 52 weeks, operating costs were higher than last year due to inflationary and regulatory increases in alcohol duty, the national minimum wage, the Carbon Reduction Charge, business rates, rent, energy and food costs, as well as investment into customer facing areas. Outlet employment costs as a percentage of sales have increased by 0.5 percentage points to 25.3% as a result of the impact of new site openings, the Company’s continued move towards food sales, which require a higher degree of service, and as a result of increased investment in enhancing the guest experience, staff development and training.

A number of measures have partially offset these cost pressures. Simplification of central support functions and infrastructure during the year resulted in an annualised saving of £10m, of which £6m impacted FY 2012, and there has been a reduction in performance-related payments.

As a result, the Retained Estate delivered adjusted operating profit of £297m on a 52 week basis, 3.1% higher than last year. The adjusted operating margin was 16.0%, down 0.3ppts over the full year, representing a recovery from the first half deficit of 0.7ppts.

Internal rent

A regime of internal rents is in place to enable greater internal transparency around the performance of freehold and leasehold properties and external transparency concerning the performance of the operating and property functions. The operating performance is monitored on a regular basis through a system of profit reviews through all levels of the Company. Estate management is primarily monitored through the Portfolio Development Committee. Further details are given in note 2 of the accounts.

53 weeks	Operating £m	Property £m	Total £m
Turnover	1889		1889
EBITDAR	467		467
External Rent	-52		-52
Internal Rent	-195	195	-
EBITDA	220	195	415
EBITDA %	11.6%		22.0%

Exceptional items and other adjustments

Total exceptional items and other adjustments reduced profit before tax by £83m and consisted of a £11m net pensions finance charge; a £47m charge relating to the revaluation of the property portfolio and short leasehold impairment review; a £5m impairment of the goodwill relating to the acquisition of Ha Ha Bar & Grill Ltd.; a £6m charge for professional fees and other costs relating to the approach from Piedmont Inc in September 2011 and £14m of costs relating to the internal restructuring and IT reorganisation which is generating £10m of annualised savings.

Cash flow

	FY 2012 £m (53 weeks)	FY 2011 £m (52 weeks)
EBITDA before exceptional items	**415**	404
Working capital movement/non-cash items	**-28**	-28
Pension deficit contributions	**-40**	-40
Cash flow from operations before exceptional items	**347**	336
Maintenance & infrastructure capex	**-92**	-90
Interest	**-129**	-134
Tax	**-25**	-20
Share capital	**-**	2
Free Cash Flow before exceptional items	**101**	94
Expansionary capex	**-55**	-82
Disposals	**3**	424
Operating exceptionals	**-17**	-
Net cash flow	**32**	436

EBITDA of £415m was generated by the business over the 53 weeks. There was a working capital outflow of £28m, largely as a result of additional payments made in the 53rd week. Pension deficit contributions of £40m were made, in line with the deficit recovery plan agreed with the Trustees following the 2010 triennial review of the schemes.

Cash flow from operations before exceptional items was £347m. This was reduced by £92m of maintenance capital, £129m of net interest and £25m of cash tax to produce £101m of free cash flow before exceptional items, slightly higher than last year. Expansionary capital was lower than last year at £55m, a small number of disposals generated £3m of cash, and there were £17m of cash operating exceptional items, resulting in £32m of net cash generation in the year.

Net debt was reduced to £1.8bn, representing 4.5 times the 52 week EBITDA (FY 2011: 4.7 times Retained Estate EBITDA). Net debt within the securitisation was £2.0bn and cash held outside the securitisation was £0.2bn.

Capital expenditure

Total capital expenditure in the year was £147m, with £83m spent maintaining and enhancing the high level of amenity in the Group's restaurants and pubs, £9m on infrastructure projects, mainly in energy efficiency and IT, and £55m on new site openings.

EBITDA returns on expansionary capital invested over the last two years were 17%. Within this, returns on single site leasehold acquisitions remained high at 25% and this area will remain the focus of our expansion going forward. Returns on freehold acquisitions were 13%, on packaged lease acquisitions were 14% and on the residual conversion programme were 16%.

£5m of the infrastructure capital was in the area of energy efficiency projects, generating ROIs of over 50%. The business was awarded the Carbon Trust Standard for the second time this year, making Mitchells & Butlers one of fewer than one hundred companies globally to have achieved this.

Dividends

The Board is mindful of the attraction of the resumption of dividend payments and will continue to monitor net cash flow generation, particularly in the light of the forthcoming triennial pensions valuation as at March 2013, before taking a decision on timing and quantum.

Balance sheet

A Red Book valuation of the freehold and long leasehold estate has been completed in conjunction with the property valuers CBRE. In addition the business has conducted an impairment review on short leasehold and unlicensed properties. The overall decrease of £37m is reflected as a £47m charge in the income statement and a £10m increase in the revaluation reserve.

The pre-tax pensions deficit, as measured under IAS19, increased to £88m in the year, primarily as a result of a reduction in AA-rated corporate bond yields to 4.3% (FY 2011: 5.2%) increasing the present value of scheme liabilities to £1,698m (FY 2011: £1,509m). Assets increased to £1,610m (FY 2011: £1,472m) through strong investment performance and £40m of additional Group contributions. This deficit is sensitive to a number of key assumptions as shown in the table below:

Assumption	Movement	Impact on IAS 19 deficit
Discount rate	+0.1%	-£32m
Inflation rate	+0.1%	+£30m

The next triennial actuarial valuation of the schemes is due as at March 2013. The 2010 review resulted in an agreed valuation deficit of £400m. Given the current low levels of real gilt yields, the deficit is expected to have increased since that date.

Directors' statement on the annual report

The responsibility statement below has been prepared in connection with the Group's full Annual Report for the 53 weeks ended 29 September 2012. Certain parts thereof are not included within this announcement.

Responsibility statement

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

- The Business Review, Financial Review and Risks and Uncertainties sections, which are incorporated into the directors' report, include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 26 November 2012 and is signed on its behalf by Tim Jones, Finance Director.

Group income statement
For the 53 weeks ended 29 September 2012

	2012 53 weeks			2011 52 weeks		
	Before exceptional items and other adjustments £m	Exceptional items and other adjustments[a] £m	Total £m	Before exceptional items and other adjustments £m	Exceptional items and other adjustments[a] £m	Total £m
Revenue	1,889	-	1,889	1,796	-	1,796
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	(1,474)	(20)	(1,494)	(1,392)	(13)	(1,405)
Net profit/(loss) arising on property disposals	-	-	-	-	(4)	(4)
EBITDA[b]	415	(20)	395	404	(17)	387
Depreciation, amortisation, movements in the valuation of the property portfolio and impairment of goodwill	(111)	(52)	(163)	(110)	(2)	(112)
Operating profit/(loss)	304	(72)	232	294	(19)	275
Finance costs	(140)	-	(140)	(141)	-	(141)
Finance revenue	2	-	2	3	-	3
Net finance charge from pensions	-	(11)	(11)	-	(5)	(5)
Profit/(loss) before tax	166	(83)	83	156	(24)	132
Tax (expense)/credit	(41)	28	(13)	(42)	35	(7)
Profit for the period	125	(55)	70	114	11	125
Earnings per ordinary share						
Basic	30.5p		17.1p	28.0p		30.7p
Diluted	30.2p		17.0p	27.7p		30.5p

a. Exceptional items and other adjustments (refer to 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 statement of comprehensive income

For the 53 weeks ended 29 September 2012

	2012 53 weeks £m	2011 52 weeks £m
Profit for the period	70	125
Other comprehensive (expense)/income:		
Unrealised gain on revaluation of the property portfolio	10	73
Actuarial (losses)/gains on defined benefit pension schemes	(81)	84
Exchange differences on translation of foreign operations	(1)	-
Cash flow hedges:		
- Losses arising during the period	(103)	(118)
- Reclassification adjustments for losses included in profit or loss	54	37
Other comprehensive (expense)/income	(121)	76
Tax credit/(charge) relating to items of other comprehensive (expense)/income	49	(9)
Other comprehensive (expense)/income after tax	(72)	67
Total comprehensive (expense)/income for the period	(2)	192

Group balance sheet
29 September 2012

	2012 £m	2011 £m
Assets		
Goodwill and other intangible assets	5	10
Property, plant and equipment	3,848	3,848
Lease premiums	1	6
Deferred tax asset	107	83
Derivative financial instruments	4	18
Total non-current assets	3,965	3,965
Inventories	26	25
Trade and other receivables	56	70
Other cash deposits	25	50
Cash and cash equivalents	311	306
Total current assets	418	451
Total assets	4,383	4,416
Liabilities		
Current tax liabilities	(28)	(17)
Trade and other payables	(265)	(298)
Borrowings	(53)	(49)
Derivative financial instruments	(45)	(44)
Total current liabilities	(391)	(408)
Pension liabilities	(88)	(37)
Other payables	(12)	(12)
Borrowings	(2,133)	(2,197)
Derivative financial instruments	(280)	(235)
Deferred tax liabilities	(382)	(429)
Long-term provisions	(9)	(6)
Total non-current liabilities	(2,904)	(2,916)
Total liabilities	(3,295)	(3,324)
Net assets	1,088	1,092
Equity		
Called up share capital	35	35
Share premium account	21	21
Capital redemption reserve	3	3
Revaluation reserve	793	768
Own shares held	(3)	(5)
Hedging reserve	(257)	(214)
Translation reserve	11	12
Retained earnings	485	472
Total equity	1,088	1,092

Group statement of changes in equity

For the 53 weeks ended 29 September 2012

	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 25 September 2010	35	20	3	747	(8)	(149)	12	234	894
Profit for the period	-	-	-	-	-	-	-	125	125
Other comprehensive income/(expense)	-	-	-	89	-	(65)	-	43	67
Total comprehensive income/(expense)	-	-	-	89	-	(65)	-	168	192
Share capital issued	-	1	-	-	-	-	-	-	1
Release of own shares	-	-	-	-	3	-	-	(2)	1
Credit in respect of share-based payments	-	-	-	-	-	-	-	6	6
Revaluation reserve realised on disposal of properties	-	-	-	(68)	-	-	-	68	-
Tax on share-based payments	-	-	-	-	-	-	-	(2)	(2)
At 24 September 2011	35	21	3	768	(5)	(214)	12	472	1,092
Profit for the period	-	-	-	-	-	-	-	70	70
Other comprehensive income/(expense)	-	-	-	25	-	(43)	(1)	(53)	(72)
Total comprehensive income/(expense)	-	-	-	25	-	(43)	(1)	17	(2)
Purchase of own shares	-		-	-	(1)	-	-	-	(1)
Release of own shares	-	-	-	-	3	-	-	(2)	1
Credit in respect of share-based payments	-	-	-	-	-	-	-	(1)	(1)
Tax on share-based payments	-	-	-	-	-	-	-	(1)	(1)
At 29 September 2012	35	21	3	793	(3)	(257)	11	485	1,088

Group cash flow statement
For the 53 weeks ended 29 September 2012

	2012 53 weeks £m	2011 52 weeks £m
Cash flow from operations	347	336
Cash flow from operating exceptional items	(17)	-
Interest paid	(131)	(137)
Interest received	2	3
Tax paid	(25)	(20)
Net cash from operating activities	176	182
Investing activities		
Acquisition of Ha Ha Bar & Grill Limited	-	(20)
Acquisition of Intertain (Dining) Limited	-	(4)
Purchases of property, plant and equipment	(147)	(144)
Purchases of intangibles (computer software)	-	(4)
Proceeds from sale of property, plant and equipment	3	28
Proceeds from disposal of assets held for sale	-	396
Transfers from/(to) other cash deposits	25	(50)
Net cash (used in) / from investing activities	(119)	202
Financing activities		
Issue of ordinary share capital	-	1
Purchase of own shares	(1)	-
Proceeds on release of own shares	1	1
Repayment of principal in respect of securitised debt	(52)	(49)
Repayment of principal in respect of other borrowings	-	(259)
Net cash used in financing activities	(52)	(306)
Net increase in cash and cash equivalents	5	78
Cash and cash equivalents at the beginning of the financial period	306	228
Cash and cash equivalents at the end of the financial period	311	306

1. General information

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

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

The preliminary financial statements include the results of Mitchells & Butlers plc and all its subsidiaries for the 53 week period ended 29 September 2012. The comparative period is for the 52 week period ended 24 September 2011. The respective balance sheets have been drawn up as at 29 September 2012 and 24 September 2011.

The preliminary financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments.

Exchange rates

The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the financial period of £1 = €1.23 (2011 £1 = €1.15), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.26 (2011 £1 = €1.15) and £1 = $1.61 (2011 £1 = $1.55) respectively.

Going concern

The Group's forecasts and projections take account of anticipated trading performance and show that the Group should be able to operate within the level of its current borrowing facilities.

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

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 profit before interest and exceptional items (operating profit pre-exceptionals) as the key measure of the segment results. Group assets are reviewed as part of this process but are not presented on a segment basis.

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

	Retail Operating Business		Property Business		Total	
	2012 53 weeks £m	2011 52 weeks £m	2012 53 weeks £m	2011 52 weeks £m	2012 53 weeks £m	2011 52 weeks £m
Retained business						
Revenue	1,889	1,762	-	-	1,889	1,762
EBITDA pre-exceptionals	220	208	195 [c]	190 [c]	415	398
Operating profit pre-exceptionals	123	110	181	178	304	288
Other operations[a]						
Revenue					-	34
EBITDA pre-exceptionals					-	6
Operating profit pre-exceptionals					-	6
Total business						
Revenue[b]					1,889	1,796
EBITDA pre-exceptionals					415	404
Operating profit pre-exceptionals					304	294
Exceptional items and other adjustments[d]					(72)	(19)
Operating profit					232	275
Net finance costs					(149)	(143)
Profit before tax					83	132
Tax expense					(13)	(7)
Profit for the financial period					70	125

a. Other operations for the 52 weeks ended 24 September 2011 primarily related to the pre-disposal trading in relation to sites sold to Stonegate in November 2010. No analysis is provided for these sites in relation to Operating/Property business as this information was not reviewed by the CODM.
b. Revenue includes other income of £nil (2011 £6m) in respect of transitional services arrangements and £7m (2011 £13m) in relation to franchise operations.
c. The EBITDA pre-exceptionals of the property business relates entirely to rental income received from the retail operating business.
d. Refer to note 3.

3. Exceptional items and other adjustments

	Notes	2012 53 weeks £m	2011 52 weeks £m
Operating exceptional items			
Exceptional pension charge	a	-	(13)
Bid defence	b	(6)	-
Business reorganisation	c	(7)	-
IT systems reorganisation	c	(7)	-
Net loss arising on other exceptional items		(20)	(13)
Net (loss)/profit arising on property disposals		-	(4)
Movement in the valuation of the property portfolio:			
- (Impairment)/reversal arising from the revaluation	d	(35)	8
- Other impairment	d	(12)	(10)
- Impairment of goodwill	e	(5)	-
Net movement in the valuation of the property portfolio		(52)	(2)
Total operating exceptional items		**(72)**	**(19)**
Other adjustments			
Net pensions finance charge (note 10)	f	(11)	(5)
Total exceptional items and other adjustments before tax		**(83)**	**(24)**
Tax credit relating to above items		18	25
Exceptional tax charge in respect of prior years	g	(1)	(2)
Tax credit in respect of change in tax legislation	h	11	12
Total tax credit		28	35
Total exceptional items and other adjustments (charge)/credit after tax		**(55)**	**11**

a. Relates to a curtailment charge in respect of the closure of the defined benefit pension plans to future accrual which occurred during the prior period.

b. Relates to legal and professional fees incurred in the defence of a possible offer made by Piedmont Inc. in September 2011 to purchase all of the remaining Company shares. The possible offer was withdrawn on 13 October 2011.

c. This relates to the costs of a reorganisation announced by the Company on 22 November 2011. Costs are primarily redundancy and severance payments, fees in relation to professional advisors and one-off costs connected with the transfer of the IT data centre.

d. Movements in the valuation of the property portfolio includes £35m of impairment (2011 £8m credit) arising from the Group’s revaluation of its pub estate, £12m (2011 £10m) of impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount.

e. Goodwill impairment following testing of the value in relation to Ha Ha Bar & Grill Limited.

f. The net pensions finance charge is a non-cash adjustment which is excluded from adjusted profit.

g. The current year charge is an adjustment in respect of prior year disposals and prior year derivative planning. The 2011 charge is an adjustment in respect of prior year disposals.

h. A deferred tax credit has been recognised in the current period following the enactment of legislation on 17 July 2012 which lowered the UK standard rate of corporation tax from 25% to 23% with effect from 1 April 2013. The prior year deferred tax credit relates to the enactment of legislation on 19 July 2011 which lowered the UK standard rate of corporation tax from 27% to 25% with effect from 1 April 2012.

4. Finance costs and revenue

	2012 53 weeks £m	2011 52 weeks £m
Finance costs		
Securitised and other debt – loans and receivables[a]	(140)	(141)
Finance revenue		
Interest receivable – cash	2	3
Net finance charge in respect of pensions	(11)	(5)

a. Includes £6m (FY 2011: nil) in relation to accrued backdated interest on outstanding tax items.

5. Taxation

	2012 53 weeks £m	2011 52 weeks £m
Tax charged in the income statement		
Current tax:		
- UK corporation tax	28	32
- Amounts under/(over) provided in previous years	8	(3)
Total current tax	36	29
Deferred tax:		
- Origination and reversal of temporary differences	(5)	(13)
- Adjustments in respect of prior years	(7)	3
- Change in tax rate	(11)	(12)
Total deferred tax	(23)	(22)
Total tax charged in the income statement	13	7

	2012 53 weeks £m	2011 52 weeks £m
Tax relating to items recognised in equity		
Unrealised gains due to revaluations – revaluation reserve	15	17
Unrealised gains/(losses) due to revaluations – retained earnings	12	(16)
Actuarial gains/(losses) on pension schemes	16	(25)
Cash flow hedges:		
- Losses arising during the period	24	30
- Reclassification adjustments for losses included in profit or loss	(18)	(15)
Tax credit/(charge) on items of other comprehensive (expense)/income	49	(9)
Tax on share-based payments recognised directly in equity	(1)	(2)
Total tax credit/(charge) on items recognised in equity	48	(11)

6. **Earnings per share**

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

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

Adjusted earnings per ordinary share amounts are presented before exceptional items and other adjustments and the net pensions finance charge (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
53 weeks ended 29 September 2012:			
Profit/EPS	70	17.1p	17.0p
Exceptional items and other adjustments, net of tax	46	11.2p	11.1p
Net pensions finance charge, net of tax	9	2.2p	2.1p
Adjusted profit/EPS	125	30.5p	30.2p
52 weeks ended 24 September 2011:			
Profit/EPS	125	30.7p	30.5p
Exceptional items and other adjustments, net of tax	(15)	(3.7)p	(3.7)p
Net pensions finance charge, net of tax	4	1.0p	0.9p
Adjusted profit/EPS	114	28.0p	27.7 p

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

	2012 53 weeks m	2011 52 weeks m
For basic EPS calculations	409	407
Effect of dilutive potential ordinary shares:		
- Contingently issuable shares	2	2
- Other share options	1	2
For diluted EPS calculations	412	411

7. Cash flow from operations

	2012 53 weeks £m	2011 52 weeks £m
Operating profit	232	275
Add back: operating exceptional items	72	19
Operating profit before exceptional items	304	294
Add back:		
Depreciation of property, plant and equipment	111	108
Amortisation of intangibles (computer software)	-	2
Cost charged in respect of share-based payments	-	6
Defined benefit pension cost less regular cash contributions	-	(1)
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	415	409
Movements in working capital and pension contributions:		
Increase in inventories	(1)	-
(Increase)/decrease in trade and other receivables	(9)	3
Decrease in trade and other payables	(21)	(36)
Increase in provisions	3	-
Additional pension contributions	(40)	(40)
Cash flow from operations	347	336

8. Analysis of net debt

	2012 £m	2011 £m
Cash and cash equivalents (see below)	311	306
Other cash deposits (see below)	25	50
Securitised debt (see below)	(2,186)	(2,246)
Derivatives hedging balance sheet debt[a]	9	20
	(1,841)	(1,870)

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

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, including overnight deposits, of £286m (2011 £259m) and cash deposits with an original maturity of three months or less of £25m (2011 £47m).

Other cash deposits
Other cash deposits at 29 September 2012 comprise £25m (2011 £50m) of cash at bank with an original maturity of three months or more.

9. Movement in net debt

	2012 53 weeks £m	2011 52 weeks £m
Net increase in cash and cash equivalents	5	78
Add back cash flows in respect of other components of net debt:		
Transfers (from)/to other cash deposits	(25)	50
Repayment of principal in respect of securitised debt	52	49
Repayment of principal in respect of other borrowings	-	259
Decrease in net debt arising from cash flows	32	436
Movement in capitalised debt issue costs net of accrued interest	(3)	(4)
Decrease in net debt	29	432
Opening net debt	(1,870)	(2,302)
Closing net debt	(1,841)	(1,870)

10. Pensions

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	2012 53 weeks £m	2011 52 weeks £m
Operating profit:		
- Current service cost (defined benefit plans)	-	(4)
- Current service cost (defined contribution plans)	(5)	(4)
Total current service cost	(5)	(8)
Exceptional pension charge	-	(13)
Charge to operating profit	(5)	(21)
Finance income:		
- Expected return on pension scheme assets	66	74
- Interest on pension scheme liabilities	(77)	(79)
Net finance charge in respect of pensions	(11)	(5)
Total charge	(16)	(26)

Group statement of comprehensive income	2012 53 weeks £m	2011 52 weeks £m
Actual return less expected return on pension scheme assets	96	5
Changes in assumptions underlying the present value of the scheme liabilities	(177)	79
Actuarial (loss)/gain recognised	(81)	84

The deficit in the schemes recognised as a liability in the balance sheet is as follows:

	2012 £m	2011 £m
Equities	488	420
Bonds	1,058	999
Other	64	53
Fair value of assets	1,610	1,472
Present value of scheme liabilities	(1,698)	(1,509)
Deficit in the schemes recognised as a liability in the balance sheet	(88)	(37)
Associated deferred tax asset	20	9

The table below analyses the movement in the schemes' net deficit in the period:

	Net deficit	
	2012 £m	2011 £m
At beginning of period	(37)	(143)
Current service cost	-	(4)
Exceptional charge	-	(13)
Interest cost on benefit obligations	(77)	(79)
Expected return on plan assets	66	74
Contributions	41	44
Actuarial (loss)/gain recognised	(81)	84
At end of period	(88)	(37)

11. **Financial Statements**

The preliminary statement of results was approved by the Board of Directors on 26 November 2012. It does not constitute the Group's statutory financial statements for the 53 weeks ended 29 September 2012 or for the 52 weeks ended 24 September 2011. The financial information is derived from the statutory financial statements of the Group for the 53 weeks ended 29 September 2012.

Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The Company's auditor reported on those accounts; their reports were unqualified; did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under S498(2) or (3) of the Companies Act 2006.

12. **Revaluation**

The majority of the Group's freehold and long leasehold licensed properties have been valued at market value, as at 29 September 2012 by CBRE (24 September 2011 by Colliers International), independent chartered surveyors.

The valuation was carried out in accordance with the provisions of RICS Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity. The market value has been determined having regard to factors such as current income levels taking account of location, quality of the pub or restaurant and recent market transactions in the sector.

The net book value decrease of £25m (2011 £81m increase) comprises an impairment of £35m (2011 £8m surplus) net of a revaluation reserve credit of £10m (2011 £73m) shown in the Group statement of comprehensive income. In addition, a review of the short leasehold and unlicensed property estate has resulted in an impairment of £12m (2011 £10m) (see note 3).