MITCHELLS & BUTLERS PLC
LEI no. 213800JHYNDNB1NS2W10

22 November 2018

FULL YEAR RESULTS

(For the 52 weeks ended 29 September 2018)

- **Adjusted operating profit[a] growth in the second half**
- **Like-for-like sales[a] growth maintained**
- **Momentum gathering from second wave of initiatives**

"Focus on our three priority areas of building a more balanced business; instilling a more commercial culture; and driving an innovation agenda has continued to move the business forward over the financial year. The implementation of the second wave of initiatives from our transformation programme has resulted in sustained like-for-like sales growth, continued market out-performance[b] and a return to profit growth in the second half despite Easter moving into the first half.

We continue to work hard on driving efficiency gains and profitable sales growth through the ongoing roll out of initiatives to mitigate the cost headwinds impacting the industry.

Overall, the Company is positioned well to continue creating shareholder value in the long term."

Phil Urban, Chief Executive

Financial performance
- Full year like-for-like sales[a] up 1.3% and up 2.2%[a] in recent 7 weeks
- Adjusted operating profit[a] of £303m[a], down 1.6% on a 52 week basis
- Adjusted operating profit[a] growth in second half of £3m
- Adjusted earnings per share[a] of 34.1p[a], down 0.9% on a 52 week basis

Strategic progress
- Sustained like-for-like sales[a] growth remains ahead of the market
- £28m of savings achieved to mitigate continuing inflationary cost headwinds
- Completed 232 return generating projects with focus on premiumisation or amenity enhancement
- Improved guest care and responsiveness; 93% of online reviews responded to, up 10ppts
- Improved employee engagement; pub management turnover reduced 2.6ppts

Reported results
- Total revenue of £2,152m (FY 2017 £2,180m)
- Operating profit of £255m (FY 2017 £208m)
- Profit before tax of £130m (FY 2017 £77m)
- Basic earnings per share 24.5p (FY 2017 15.1p)

Balance sheet and cash flow
- Capital expenditure of £171m (FY 2017 £169m), including 7 openings of new sites and 232 conversions and remodels (FY 2017 13 new sites and 252 conversions and remodels)
- Adjusted free cash flow[a] of £(19)m[a] (FY 2017 £14m)
- Net debt of £1.69bn (FY 2017 £1.75bn) representing 4.0 times adjusted EBITDA[a] (FY 2017 4.2 times)
- Prioritising estate investment and de-leverage against a challenging back drop as previously outlined, no final dividend declared

Definitions

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

b – 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 conference will also be accessible by phone: 020 3936 2999 access pin 537637. The replay will be available until 29 November 2018 on 020 3936 3001 replay access pin 286942.

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

For further information, please contact:

Tim Jones – Finance Director	+44(0)121 498 6112
Amy de Marsac – Investor Relations	+44(0) 7712 538660
James Murgatroyd (Finsbury)	+44(0)20 7251 3801

Notes to 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

During the year we have maintained a strong trading performance, investing in our estate and mitigating £28m of cost inflation whilst maintaining quality for our guests.

For a second consecutive year like-for-like sales[a] growth outperformed the market. We achieved like-for-like sales[a] growth of 1.3% in the financial year despite extended periods of snow, unusually hot weather in the summer and England's prolonged success in the FIFA World Cup. The last reported period of like-for-like sales[a] growth of 2.2% was free from one-off events and, since the year-end, like-for-like sales[a] have continued to grow at 2.2%. Total sales grew by 0.5% on a 52 week basis impacted by disposals made in the prior year.

Profitability in the first half was negatively impacted by snow in particular, resulting in a decline of £8m against last year. However, in the second half, adjusted operating profit[a] grew by £3m, despite Easter shifting into the first half, as the momentum from our strategic initiatives continued to gather pace.

Adjusted operating profit[a] of £303m was down 1.6% year-on-year on a 52 week basis. On a statutory basis profit before tax of £130m grew against last year impacted by separately disclosed items.

THE EXTERNAL ENVIRONMENT

The eating out industry has faced a number of challenges over recent years. The number of restaurants in the UK increased by 11% over the past five years, outstripping demand growth and resulting in pressure on sales per site across the sector. Over the same period, the sector has continued to face strong cost headwinds with the combined result of these two factors being a number of CVAs and business closures amongst our competitors in the past year. In the twelve months to September 2018, the number of restaurants in operation in the UK fell by 1.0% reflecting the competitive pressure in this highly fragmented sector.

From a demand perspective there have been several economic factors impacting consumer confidence including Brexit, political uncertainty and limited growth in real wages. Despite this, turnover in the eating out market as a whole continues to grow, with forecast growth of 1.5% in 2018 indicating that leisure spend is currently being protected to some extent by consumers. Market trends suggest that consumers are eating out less frequently but spending more when they do, supporting our strategy of premiumisation and focus on providing opportunities for guests to 'trade up' menus.

The impact of Brexit remains uncertain. Aside from macro-economic consequences, the specific areas of material impact for our business are increases in costs and reduction of availability of goods, and implications of restrictions on the free movement of labour. On exit of the EU, cost of goods would be impacted by changes in terms of trade and therefore tariffs, additional border controls and fluctuations in the value of sterling. From an employment perspective, at a time when unemployment levels are at a 40-year low, any restriction on the free movement of labour would have a material impact on both the cost of labour and access to talent. Currently across our business, 13% of staff are non-British EU nationals, with the proportion fluctuating by geographic region. We remain close to these issues whilst we await further details.

OUR STRATEGIC PRIORITIES

We have maintained our strategic approach with three priority areas focused on repositioning the company to a stronger competitive position:

- Build a more balanced business
- Instil a more commercial culture
- Drive an innovation agenda

We continued to make strong progress across these three strategic priorities over the year resulting in sustained like-for-like sales growth[a] ahead of the market and growth in adjusted operating profit[a] in the second half of the financial year.

Build a more balanced business

Our estate comprises 1,750 pubs, bars and restaurants, of which more than 80% are freehold or long-leasehold. Our focus in this area is to optimise the balance of brands across the estate in order to create long-term value. During the year, we continued to improve the quality of the estate through premiumisation and amenity upgrades.

We completed 232 remodels and conversions in FY 2018 (FY 2017 252) and remain on course to deliver a 6-7 year cycle of investment, from the 11-12 year cycle of previous years. In order to maximise the profit uplift following investment within the financial year, we completed more projects in the first half than in previous years. The in-year benefit from this, coupled with savings made in costs relating to closure, was £3m. Conversions remained focused on the expansion of Miller & Carter, which now consists of 105 sites and continues to perform strongly both in terms of sales growth and returns.

We continued to enhance the amenity of sites through our remodel programme. Remodel projects provide a refreshed environment for sites which remain within the same brand, giving the opportunity both to delight existing, and attract new, guests. The remodel programme provides a vehicle through which brands can continue to evolve and innovate in the highly competitive market in which we operate.

Instil a more commercial culture

We have made progress in developing a more commercial culture across the business over recent years, with a relentless focus on profitability essential in the current environment. Our centralised procurement process allows us to leverage our scale and during the year we mitigated £6m of inflationary costs across food, drink and logistics. In addition, centralised pricing changes have generated a benefit of £5m through benchmarking against local competitors, events pricing and menu psychology.

Labour remains the most significant cost to the business and improving efficiency without compromising on quality is a constant focus. Last year we rolled out new software across all of our UK business to help managers to more effectively deploy labour through more accurate sales forecasting, scheduling recommendations and electronic time management. We have seen the benefit of embedding this software with in-year cost mitigation of £8m. We will continue to find additional efficiency benefits by focusing on best practice use of the software.

Our focus on online interaction with guests continues with their increasing use of our digital platforms, such as apps and online feedback. Last year we introduced reputation.com - a feedback consolidation tool which enables managers to respond to comments from multiple sources through one system. Through this tool we now respond to 93% of all online feedback and we continue to see the benefits of the personal interaction this platform enables for the guest. In addition, it allows us to gather consumer insight to evolve our brands in line with consumer demands. Since the year end we have increased the average feedback score across the estate to 4 out of 5 reflecting the hard work undertaken in this area.

Drive an innovation agenda

Technological developments are constantly changing the way consumers behave and our digital strategy is designed to enable us to benefit from those changes and to satisfy guests' changing needs. A mobile payment option is available in all of our brands, allowing guests to pay their bill on their mobile device. In addition, we continue to refine our order at table facility where guests can order food and drink from their mobile device at their table rather than having to queue at the bar. This facility is currently on trial in several O'Neill's sites and the results show both a demand for, and a benefit from, introducing this technology across more of the business. As a result of this successful trial we plan to roll out the technology further across O'Neill's and to four additional brands during FY 2019.

Digital development provides us with the opportunity to better understand and enhance our guests' experiences. An example of this is free wireless charging stations which we have trialled in a selection of our city centre locations with extremely positive guest feedback. We have also developed our customer relationship management platform which enables more targeted and personalised communication with guests, the result of which has been increased conversions to bookings.

Ignite

Ignite is the internal name used for our focused programme of work underpinning the longer-term strategy. The first phase of Ignite launched in FY 2016 and focused primarily on returning the business to sustained like-for-like sales[a] growth. Having achieved this aim, work began on Ignite 2, a second wave of initiatives which continue the focus on sales growth and also incorporate more efficiency and cost saving workstreams aimed at improving profitability in the face of industry-wide cost headwinds. This second wave of initiatives required an in depth, cross functional analysis of processes and, in order to co-ordinate this work, a project office has been set up to support and govern the various workstreams. This focus will ensure that the maximum value can be extracted from the programme of work. Several initiatives are already in place within the business and are delivering value, whereas others are longer term projects which will require investment during the financial year to begin delivering returns from FY 2020.

Examples of live Ignite 2 initiatives include the formation of a central expert labour deployment team who visit sites which are performing below the required labour scheduling accuracy. This team provides practical support and system expertise and the result has been a material improvement in performance of the 210 sites visited in the year.

We have also introduced enhancements to our booking platforms by reducing the number of steps a guest needs to take to book a table which has improved our booking conversions. In addition, we have introduced the recommendation of alternative venues when there is no availability at the selected site. Take up of alternative site bookings equates to c.13,000 bookings per year.

Following a successful trial, we have, from the start of FY 2019, removed cash expenditure for sundry expenses such as flowers, taxis, emergency food purchases etc. from our businesses. The aims of this are to increase visibility and therefore control over expenses of this nature and also to identify opportunities to leverage our scale to achieve a better price for these items. We have also introduced an interrogative software tool which analyses all transactional till data and identifies patterns of behaviour which require further investigation. We have a team of people trained in the software who support our managers in then taking action if required.

Longer-term projects include a system update and change of processes around our stock management. Last financial year we updated our stock system, a complicated project which impacted each of our businesses, a number of central teams and also required the cooperation of our suppliers. The benefits of the system upgrade are significant; it allows us to automate tasks within the business which currently take up a large amount of management time. For example, remote counting will facilitate barcode scan stock taking which will significantly reduce the amount of time taken to perform a stock count and will automatically load the results into the system. Prep and par is a tool which will aid kitchen staff with identifying what to prepare for each session of the day based on site specific trading patterns and forecasts. This system, particularly when used in combination with auto-ordering, will help to reduce waste and instances of menu items being unavailable, improving guest experience.

As digital developments gather pace, it is important to ensure that we are well positioned for future developments. Therefore, we are undertaking a significant piece of work to consolidate our data onto one platform which allows integration into third party technologies. This work will provide the foundation for fast adoption of future digital development opportunities.

The Ignite programme of work is designed to encourage the challenge of boundaries on many fronts, and we have been exploring opportunities to work with third parties as a way to accelerate innovation. We have entered into a formal agreement with Ego Restaurants, who already successfully operate their Mediterranean offer in a few of our sites within the leasehold estate, investing in the brand's parent

company and agreeing a pipeline of our sites to facilitate the growth of the proposition. Further to this we will open the first Miller & Carter site in Germany, supported by the Alex team, in 2019 which provides us with an opportunity to test another market given the success of the brand in the UK.

PEOPLE

We have a fantastic team of over 44,000 people across the business who are crucial to the all-important experiences which guests have with us. Attracting, training and retaining high quality staff is more important than ever and despite the numerous initiatives we have introduced over the course of the financial year we are pleased that our management level turnover has improved by 2.6ppts. This is particularly important during a period of change as managers provide stability to the teams on site. Our kitchen management turnover has reduced by 3.1ppts since last year which is reassuring in light of the challenges that any changes in the free movement of labour resulting from Brexit might bring. Overall staff turnover has increased by 2ppts, driven by hourly paid staff, reflecting the heightened competitiveness of this sector of the labour market. Engagement scores have also improved across all cohorts over the year. In terms of training, we are proud of the work we have done on our apprentice scheme which we believe will provide excellent future talent to our organisation. We are delighted to now have 1,800 apprentices taking part in our schemes which range from front and back of house roles in our pubs and restaurants to corporate roles in our head office.

CURRENT TRADING AND OUTLOOK

In the first seven weeks of the new financial year like-for-like sales[a] have grown by 2.2%.

A return to adjusted operating profit[a] growth in the second half of the last financial year was a significant milestone for the Company. With like-for-like sales[a] growth consistently ahead of the market and our focus on efficiency initiatives, we are confident that we are addressing the elements of performance which are within our control. However, the market in which we operate remains challenging and a high level of macro uncertainties remain. We will remain focused on maintaining a strong balance sheet and reducing our net debt whilst positioning the business to generate long term shareholder value.

FINANCIAL REVIEW

On a statutory basis, profit before tax for the year was £130m (FY 2017 £77m), on sales of £2,152m (FY 2017 £2,180m).

The Group Income Statement discloses adjusted profit and earnings per share information that exclude 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.

FY 2017 was a 53 week period. In order to facilitate comparison of trading performance a restated 52 week summary of adjusted performance is detailed below. All year-on-year growth rates in the financial review are provided on a consistent 52 week basis.

	Statutory		**Adjusted** [a]	
	FY 2018 £m	**FY 2017 53 weeks £m**	**FY 2018 £m**	**FY 2017 52 weeks £m** [a]
Revenue	2,152	2,180	2,152	2,141
Operating profit	255	208	303	308
Profit before tax	130	77	178	180
Earnings per share	24.5p	15.1p	34.1p	34.4p
Operating profit margin	11.8%	9.5%	14.1%	14.4%

At the end of the period, the total estate comprised 1,750 sites in the UK and Germany of which 1,687 are directly managed.

Changes in accounting policies

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

Revenue

The Group's total revenues of £2,152m were 0.5% higher than last year, with growth in like-for-like sales[a] and the benefit of new site openings partially offset by disposals made in the prior year.

Total like-for-like sales[a] grew by 1.3% with food sales[a] up by 0.3% and drink sales[a] by 2.6% reflecting in part the extended warm weather in the second half. Average spend per item on food was up 5.9%, and average drink spend up 4.9%, following some strengthening of prices and the increasing premiumisation of the estate.

Like-for-like sales[a] growth:	**Week 1 – 32* FY 2018**	**Week 33 – 52 FY 2018**	**Week 1 – 52 FY 2018**
Food	1.0%	(0.6)%	0.3%
Drink	1.9%	3.5%	2.6%
Total	1.4%	1.2%	1.3%

* Week 1-32 presented to adjust for movement of Easter into first half.

Separately disclosed items

Separately disclosed items are identified due to their nature or materiality to help the reader form a better view of overall and adjusted trading.

A £28m charge was recognised relating to the downward valuation movements on selected sites in the property portfolio resulting from the revaluation (FY 2017 £51m).

A £15m charge for impairment of short leaseholds and unlicensed properties (FY 2017 £17m) was recognised as a result of our annual review of asset carrying values.

A £6m charge was recognised relating to the legal costs associated with ongoing proceedings between Mitchells and Butlers Pensions Limited and the Company regarding the rate of inflation which should be applied to pension increases for certain sections of the membership of the Mitchells and Butlers Pensions Plan.

Operating margins and profit[a]

The business continues to face inflationary cost pressures which have driven a year-on-year adjusted operating margin[a] reduction. Increases for the year have in particular impacted labour, energy, property costs, and food and drink costs. Adjusted operating margins[a] for the full year were 0.3ppts lower than last year at 14.1%.

Adjusted operating profit[a] of £303m was 1.6% lower than last year as a result of the inflationary cost pressures outlined above, partially offset by like-for-like sales[a] growth and mitigating cost reductions.

Interest

Net finance costs of £125m for the full year were £3m lower than last year on a 52 week basis[a], reflecting the reduction in Group securitised borrowings.

The full year pensions finance charge for next year is expected to be £7m.

Earnings per share

Basic earnings per share, after the separately disclosed items described above, were 24.5p (FY 2017 15.1p). The increase over last year reflects a reduction in the aggregate charge relating to separately disclosed items. Adjusted earnings per share[a] were 34.1p, 0.9% lower than last year. The weighted average number of shares in the period of 425m has increased due to the issue of shares as scrip dividends. The total number of shares issued at the balance sheet date is 428m.

Cash flow and net debt

The cash flow statement below excludes the net movement on unsecured revolving facilities of £(6)m (FY 2017 £(25)m).

	FY 2018 £m	FY 2017 £m
Operating cash flow before adjusted items, movements in working capital and additional pension contributions	427	433
Cost charged in respect of share-based payments	(3)	(2)
Administrative pension costs	(2)	(2)
EBITDA before separately disclosed items[a]	422	429
Working capital movement	7	(10)
Pension deficit contributions	(48)	(46)
Cash flow from operations before adjusted items	**381**	**373**
Cash flow from adjusted items	(2)	-
Capital expenditure	(171)	(169)
Interest	(119)	(121)
Tax	(20)	(26)
Disposals and other	6	46
Investment in associates	(5)	-
Cash flow before adjusted items	**70**	**103**
Mandatory bond amortisation	(82)	(77)
Net cash flow before dividends	**(12)**	**26**
Dividend	(7)	(12)
Net free cash flow[a]	**(19)**	**14**

The business generated £422m of EBITDA before separately disclosed items. Capital expenditure of £171m was marginally higher than the prior year due to increased technology spend of £10m partially offset by a lower capital cost per project driven by a decreased proportion of conversion projects. Disposal income related to the sale of 5 sites in the year. Investment in associates of £5m related to two investments made during the year.

After capital expenditure, disposals income, investment in associates, interest and tax, £70m of cash flow was generated by the business. The cash dividend payment of £7m is lower than last year as no interim dividend was declared.

Net debt of £1,688m at the year end (FY 2017 £1,750m), represented 4.0 times adjusted EBITDA[a] on a 52 week basis (FY 2017 4.2 times).

Capital cash expenditure

Capital expenditure of £171m comprises £167m from purchase of property, plant and equipment and £4m in relation to purchase of intangible assets.

Maintenance and infrastructure capex of £70m was £17m higher than the prior year due primarily to investment in systems and technology of £10m.

Return generating capital of £101m decreased due to the reduced proportion of conversion projects and increased number of remodels which require lower spend per project. During the year we completed 232 remodels and conversions (FY 2017 252 sites) and opened 7 new sites (FY 2017 13 sites). Acquisitions were primarily focused on premiumisation with the opening of four new Miller & Carter sites, two new All Bar Ones and one Toby Carvery.

The return on expansionary capital[a] across all conversion and acquisition projects over the past four years was 16% (FY 2017 18%), with increasing returns coming through from more recent projects. Across projects completed in the year the return was 23%. Recent remodel performance, for projects completed in FY 2018, has also been encouraging, delivering returns of 27%[a] and sales uplifts in excess of 10%.

	FY 2018		FY 2017	
	£m	#	£m	#
Maintenance and infrastructure	**70**		**53**	
Remodels – refurbishment	63	188	42	143
Remodels – expansionary	7	13	14	31
Conversions	21	31	39	78
Acquisitions – freehold	7	2	3	1
Acquisitions – leasehold	3	5	18	12
Total return generating capital expenditure	**101**	**239**	**116**	**265**
Total capital expenditure	**171**		**169**	

The Group capital expenditure is expected to be slightly higher next year, in the range of £175m to £180m.

Property

In line with our property valuation policy, a red book valuation of the freehold and long leasehold estate has been completed in conjunction with the independent property valuer, CBRE. In addition, the Group has conducted an impairment review on short leasehold and unlicensed properties. The overall property portfolio valuation has decreased by £48m (FY 2017 increase of £2m) reflecting a £43m separately disclosed charge in the income statement and a £5m decrease in the revaluation reserve.

Pensions

The Company continues to make pensions deficit payments as part of the triennial pensions valuation as agreed with the schemes' Trustee at 31 March 2016, which showed an asset funding shortfall at that time of £451m. The deficit will be funded by cash contributions of £48m per annum indexed to 2023, as per the agreement reached in 2013.

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

The Mitchells & Butlers Pension Plan 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 the guaranteed minimum pensions and 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 in 1996 and, despite it being reflected in further versions, has made an application to court for these various Trust Deeds 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 held in late 2019. The actuarial surplus as determined under IAS 19 (revised) has continued to be calculated using RPI, pending final resolution of the matter. Leaving all other principal financial assumptions constant, the impact of this change on the defined benefit obligation as measured under IAS19 (revised) is estimated to be £150m. However (under IFRIC14) an additional liability is recognised such that the total balance sheet position reflects the schedule of contributions agreed by the Company, extending to 2023. As such should the Company be successful in contesting the application there will be no necessary movement in the total balance sheet position. Legal fees associated with these proceedings of £6m have been recognised as separately disclosed items.

Capital allocation policy and dividends

The Company has capital allocation obligations notably in respect of debt service and pension fund contributions after which investment in the estate and distribution to shareholders can be considered. Subsequent capital allocation decisions are made primarily to protect the ongoing and future health of the business and, as previously stated, when assessing dividends the Board would not expect to see a structural, or permanent, increase in the use of short term facilities.

Given this capital allocation framework combined with the uncertain outlook, the Board does not propose a final dividend for the year

The Board keeps its dividend policy under review as appropriate in the context of its capital allocation policies, capital structure, and inherent visibility on trading.

Definitions

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

Group income statement

For the 52 weeks ended 29 September 2018

		2018 52 weeks			2017 53 weeks		
	Notes	Before separately disclosed items £m	Separately disclosed items[a] £m	Total £m	Before separately disclosed items £m	Separately disclosed items[a] £m	Total £m
Revenue	2	2,152	-	2,152	2,180	-	2,180
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	3	(1,730)	(6)	(1,736)	(1,751)	(35)	(1,786)
Net profit arising on property disposals		-	1	1	-	1	1
EBITDA[b]		422	(5)	417	429	(34)	395
Depreciation, amortisation and movements in the valuation of the property portfolio	3	(119)	(43)	(162)	(115)	(72)	(187)
Operating profit/(loss)		303	(48)	255	314	(106)	208
Finance costs	4	(119)	-	(119)	(125)	-	(125)
Finance revenue	4	1	-	1	1	-	1
Net pensions finance charge	4, 9	(7)	-	(7)	(7)	-	(7)
Profit/(loss) before tax		178	(48)	130	183	(106)	77
Tax (charge)/credit	5	(33)	7	(26)	(37)	23	(14)
Profit/(loss) for the period		145	(41)	104	146	(83)	63
Earnings per ordinary share							
Basic	6	34.1p		24.5p	34.9p		15.1p
Diluted	6	34.0p		24.4p	34.8p		15.0p

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 statement of comprehensive income

For the 52 weeks ended 29 September 2018

	Notes	2018 52 weeks £m	2017 53 weeks £m
Profit for the period		104	63
Items that will not be reclassified subsequently to profit or loss:			
Unrealised (loss)/gain on revaluation of the property portfolio	7	(5)	74
Remeasurement of pension liability	9	5	8
Tax relating to items not reclassified		-	(13)
		-	69
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		-	1
Cash flow hedges:			
- Gains arising during the period		16	60
- Reclassification adjustments for items included in profit or loss		34	53
Tax relating to items that may be reclassified		(8)	(19)
		42	95
Other comprehensive income after tax		42	164
Total comprehensive income for the period		146	227

Group balance sheet

29 September 2018

	Notes	2018 £m	2017 £m
Assets			
Goodwill and other intangible assets		11	10
Property, plant and equipment	7	4,426	4,429
Lease premiums		1	1
Interests in associates		5	-
Deferred tax asset		63	110
Derivative financial instruments		44	41
Total non-current assets		4,550	4,591
Inventories		26	24
Trade and other receivables		56	53
Other cash deposits		120	120
Cash and cash equivalents		122	147
Derivative financial instruments		4	2
Assets held for sale		-	1
Total current assets		328	347
Total assets		4,878	4,938
Liabilities			
Pension liabilities	9	(49)	(47)
Trade and other payables		(302)	(297)
Current tax liabilities		(9)	(3)
Borrowings		(233)	(235)
Derivative financial instruments		(37)	(43)
Total current liabilities		(630)	(625)
Pension liabilities	9	(200)	(245)
Borrowings		(1,744)	(1,827)
Derivative financial instruments		(207)	(249)
Deferred tax liabilities		(285)	(324)
Provisions	10	(43)	(42)
Total non-current liabilities		(2,479)	(2,687)
Total liabilities		(3,109)	(3,312)
Net assets		1,769	1,626
Equity			
Called up share capital		37	36
Share premium account		26	26
Capital redemption reserve		3	3
Revaluation reserve		1,197	1,202
Own shares held		(1)	(1)
Hedging reserve		(202)	(244)
Translation reserve		14	14
Retained earnings		695	590
Total equity		1,769	1,626

Group statement of changes in equity

For the 52 weeks ended 29 September 2018

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Own shares held £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 24 September 2016	35	27	3	1,142	(1)	(338)	13	527	1,408
Profit for the period	-	-	-	-	-	-	-	63	63
Other comprehensive income	-	-	-	61	-	94	1	8	164
Total comprehensive income	-	-	-	61	-	94	1	71	227
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	2
Dividends paid	-	-	-	-	-	-	-	(12)	(12)
Revaluation reserve realised on disposal of properties	-	-	-	(1)	-	-	-	1	-
Scrip dividend related share issue	1	(1)	-	-	-	-	-	-	-
Tax on share-based payments taken directly to equity	-	-	-	-	-	-	-	1	1
At 30 September 2017	36	26	3	1,202	(1)	(244)	14	590	1,626
Profit for the period	-	-	-	-	-	-	-	104	104
Other comprehensive (expense)/income	-	-	-	(4)	-	42	-	4	42
Total comprehensive (expense)/income	-	-	-	(4)	-	42	-	108	146
Share capital issued	-	1	-	-	-	-	-	-	1
Credit in respect of share-based payments	-	-	-	-	-	-	-	3	3
Dividends paid	-	-	-	-	-	-	-	(7)	(7)
Revaluation reserve realised on disposal of properties	-	-	-	(1)	-	-	-	1	-
Scrip dividend related share issue	1	(1)	-	-	-	-	-	-	-
At 29 September 2018	37	26	3	1,197	(1)	(202)	14	695	1,769

Group cash flow statement

For the 52 weeks ended 29 September 2018

	2018 52 weeks £m	2017 53 weeks £m
Cash flow from operations		
Operating profit	255	208
Add back: adjusted items	48	106
Operating profit before adjusted items	303	314
Add back:		
Depreciation of property, plant and equipment	116	113
Amortisation of intangibles	3	2
Cost charged in respect of share-based payments	3	2
Administrative pension costs	2	2
Operating cash flow before adjusted items, movements in working capital and additional pension contributions	427	433
(Increase)/decrease in inventories	(1)	1
Increase in trade and other receivables	(1)	(20)
Increase in trade and other payables	4	7
Decrease in provisions	-	(2)
Additional pension contributions	(48)	(46)
Cash flow from operations before adjusted items	381	373
Cash flow from adjusted items	(2)	-
Interest paid	(120)	(122)
Interest received	1	1
Tax paid	(20)	(26)
Net cash from operating activities	240	226
Investing activities		
Purchases of property, plant and equipment	(167)	(166)
Purchases of intangible assets	(4)	(3)
Proceeds from sale of property, plant and equipment	5	46
Acquisition of investment in associates	(5)	-
Net cash used in investing activities	(171)	(123)
Financing activities		
Issue of ordinary share capital	1	-
Dividends paid (net of scrip dividend)	(7)	(12)
Repayment of principal in respect of securitised debt	(82)	(77)
Net movement on unsecured revolving credit facilities	(6)	(25)
Net cash used in financing activities	(94)	(114)
Net decrease in cash and cash equivalents	(25)	(11)
Cash and cash equivalents at the beginning of the period	147	158
Cash and cash equivalents at the end of the period	122	147

Notes to the financial statements

1. Preparation of preliminary financial statements

General information

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. While the financial information included in this release is based on the Group's consolidated financial statements and has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

The preliminary financial statements include the results of Mitchells & Butlers plc and all its subsidiaries for the 52 week period ended 29 September 2018. The comparative period is for the 53 week period ended 30 September 2017. The respective balance sheets have been drawn up as at 29 September 2018 and 30 September 2017.

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

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.

Foreign currencies

The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the period of £1 = €1.13 (2017 £1 = €1.16), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US dollar denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.12 (2017 £1 = €1.13) and £1 = $1.30 (2017 £1 = $1.34) respectively.

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 Group trades in one business segment (that of operating pubs and restaurants) and the Group's brands meet the aggregation criteria set out in Paragraph 12 of IFRS 8. Economic indicators assessed in determining that the aggregated operating segments share similar economic characteristics include expected future financial performance; operating and competitive risks; and return on invested capital.

The disclosure set out in the Annual Report and Accounts for 2017 included segmental information for the retail operating business and property business, with an internal rent charge being levied against the Group's retail operating units by the property business. With a stable estate, the internal rent charge is no longer used by the CODM as an indicator of performance as movements in this charge are insignificant. The business is focused on delivery of sales growth and control of short-term costs within its trading pubs, in order to maximise return from its existing estate.

The CODM uses EBITDA and profit before interest and adjusted items (operating profit pre-adjustments) as the key measures of the Group's results on an aggregated basis.

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

Segmental information

	UK		Germany		Total	
	2018 52 weeks £m	2017 53 weeks £m	2018 52 weeks £m	2017 53 weeks £m	2018 52 weeks £m	2017 53 weeks £m
Revenue – sales to third parties	2,071	2,100	81	80	2,152	2,180
Segment non-current assets[a]	4,428	4,430	10	10	4,438	4,440

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

3. Separately disclosed items

The items identified in the current period are as follows:

	Notes	2018 52 weeks £m	2017 53 weeks £m
Adjusted items			
Legal costs associated with the defined benefit pension scheme	a	(6)	-
Onerous lease provision additions	b	-	(35)
Total adjusted items recognised within operating costs		(6)	(35)
Net profit arising on property disposals		1	1
Movement in the valuation of the property portfolio (see note 7):			
- Impairment arising from the revaluation	c	(28)	(51)
- Impairment of short leasehold and unlicensed properties	d	(15)	(17)
- Impairment of assets held for sale	e	-	(4)
Net movement in the valuation of the property portfolio		(43)	(72)
Total adjusted items before tax		(48)	(106)
Tax credit relating to above items		7	23

Total adjusted items after tax	(41)	(83)

3. Separately disclosed items – (continued)

a. 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 and 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 Deeds 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 held in late 2019.

b. During the prior period, a review of estate strategy in relation to managed leasehold sites was completed, with specific focus on the challenges around loss-making sites and those located on retail and leisure parks. The losses were considered to be unavoidable for the remaining committed lease term. In addition, the discount rate applied in the calculation was also updated. As a result, the onerous lease provision increased significantly with the majority of this increase recognised as a separately disclosed item in the prior period. The net movement in the onerous lease provision in the current period has been included within adjusted profit as it is immaterial. See note 10 for further details.

c. Impairment arising from the Group's revaluation of its pub estate where the carrying values of the properties exceed their recoverable amount. See note 7 for further details.

d. Impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount. See note 7 for further details.

e. Impairment recognised on reclassification of property, plant and equipment to assets held for sale.

4. Finance costs and revenue

	2018 52 weeks £m	2017 53 weeks £m
Finance costs		
Interest on securitised debt	(114)	(120)
Interest on other borrowings	(4)	(4)
Unwinding of discount on provisions (note 10)	(1)	(1)
Total finance costs	(119)	(125)
Finance revenue		
Interest receivable – cash	1	1
Net pensions finance charge (note 9)	(7)	(7)

5. Taxation

Taxation - income statement

	2018 52 weeks £m	2017 53 weeks £m
Current tax:		
- UK corporation tax	(28)	(20)
- Amounts over provided in prior periods	2	3
Total current tax charge	(26)	(17)
Deferred tax:		
- Origination and reversal of temporary differences	-	7
- Adjustments in respect of prior periods	-	(4)
Total deferred tax credit	-	3
Total tax charged in the income statement	(26)	(14)
Further analysed as tax relating to:		
Profit before adjusted items	(33)	(37)
Adjusted items	7	23
	(26)	(14)

6. Earnings per share

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

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

Adjusted earnings per ordinary share amounts are presented before 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
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[a]	145	34.1 p	34.0 p
53 weeks ended 30 September 2017:			
Profit/EPS	63	15.1p	15.0p
Adjusted items, net of tax	83	19.8p	19.8p
Adjusted profit/EPS[a]	146	34.9p	34.8p

a. Adjusted profit and adjusted EPS are alternative performance measures (APMs) and are considered critical to aid understanding of the Group's performance.

6. Earnings per share – (continued)

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

	2018 52 weeks m	2017 53 weeks m
For basic EPS calculations	425	418
Effect of dilutive potential ordinary shares:		
- Contingently issuable shares	2	1
For diluted EPS calculations	427	419

At 29 September 2018, 2,746,844 (2017 3,124,559) other share options were outstanding that could potentially dilute basic EPS in the future but were not included in the calculation of diluted EPS as they are anti-dilutive for the periods presented.

7. Property, plant and equipment

Property, plant and equipment can be analysed as follows:

	2018 **£m**	2017 £m
At beginning of period	**4,429**	4,423
Additions	**164**	163
Revaluation/(impairment)	**(48)**	2
Disposals	**(3)**	(3)
Transfers to assets held for sale	**-**	(43)
Depreciation provided during the period	**(116)**	(113)
At end of period	**4,426**	4,429

Revaluation of freehold and long leasehold properties
The freehold and long leasehold properties have been valued at fair value, as at 29 September 2018 using information provided by CBRE, independent chartered surveyors. The valuation was carried out in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) (the 'Red Book') assuming each asset is sold as fully operational trading entity. The fair value has been determined having regard to factors such as current and future projected income levels, taking account of location, quality of the pub restaurant and recent market transactions in the sector.

Sensitivity analysis
Changes in either the FMT or the multiple could materially impact the valuation of the freehold and long leasehold properties. The average movement in FMT of revalued properties in recent years is 1.0%. It is estimated that, given the multiplier effect, a 1.0% change in the FMT of the freehold or long leasehold properties would generate an approximate £37m movement in their valuation.

Multiples are determined at an individual brand level. The average movement in weighted average of all brand multiples in recent years is 0.1. It is estimated that a 0.1 change in the multiple, would generate an approximate £42m movement in valuation.

7. Property, plant and equipment – (continued)

Impairment review of short leasehold and unlicensed properties
Short leasehold and unlicensed properties (comprising land and buildings and fixtures, fittings and equipment) which are not revalued to fair market value, are reviewed for impairment by comparing site value in use calculations to their carrying values. The value in use calculation uses forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 7.5% (2017 7.0%). Any resulting impairment relates to sites with poor trading performance, where the output of the value in use calculation is insufficient to justify their current net book value.

Sensitivity analysis
The Group has performed a sensitivity analysis on the impairment tests for its short leasehold properties using various reasonably possible scenarios. It is estimated that a 5.0% decline in the EBITDA of the short leasehold properties would generate an approximate £1m increase in the impairment charge.

It is also estimated that 0.5% increase in the discount rate would not result in a significant increase to the impairment charge. The movement of 0.5% is considered reasonable, given that the discount rate has increased by 0.5% in the current period.

Current year valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or income statement as appropriate. The impact of the revaluations/impairments described above is as follows:

	2018 52 weeks £m	2017 53 weeks £m
Income statement		
Revaluation loss charged as an impairment	(89)	(109)
Reversal of past impairments	61	58
Total impairment arising from the revaluation	(28)	(51)
Impairment of short leasehold and unlicensed properties	(15)	(17)
Impairment of assets held for sale	-	(4)
	(43)	(72)
Revaluation reserve		
Unrealised revaluation surplus	171	210
Reversal of past revaluation surplus	(176)	(136)
	(5)	74
Net (decrease)/increase in property, plant and equipment	(48)	2

8. Net debt

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.

Net debt	2018 £m	2017 £m
Cash and bank balances	122	147
Cash and cash equivalents	122	147
Other cash deposits	120	120
Securitised debt	(1,830)	(1,909)
Liquidity facility	(147)	(147)
Revolving credit facilities	-	(6)
Derivatives hedging securitised debt[a]	47	45
	(1,688)	(1,750)

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

Movement in net debt	2018 52 weeks £m	2017 53 weeks £m
Net decrease in cash and cash equivalents	(25)	(11)
Add back cash flows in respect of other components of net debt:		
Repayment of principal in respect of securitised debt	82	77
Net movement on unsecured revolving facilities	6	25
Decrease in net debt arising from cash flows	63	91
Movement in capitalised debt issue costs net of accrued interest	(1)	(1)
Decrease in net debt	62	90
Opening net debt	(1,750)	(1,840)
Closing net debt	(1,688)	(1,750)

9. 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	2018 52 weeks £m	2017 53 weeks £m
Operating profit:		
Employer contributions (defined contribution plans)	(8)	(7)
Administrative costs (defined benefit plans)	(2)	(2)
Charge to operating profit before adjusted items	(10)	(9)
Finance costs:		
Net pensions finance income/(charge) charge on actuarial surplus/(deficit)	5	(4)
Additional pensions finance charge due to minimum funding	(12)	(3)
Net finance charge in respect of pensions	(7)	(7)
Total charge	(17)	(16)

Group statement of comprehensive income	2018 52 weeks £m	2017 53 weeks £m
Return on scheme assets and effects of changes in assumptions	114	337
Movement in pension liability recognised due to minimum funding	(109)	(329)
Remeasurement of pension liability	5	8

Group balance sheet	2018 £m	2017 £m
Fair value of scheme assets	2,404	2,390
Present value of scheme liabilities	(2,068)	(2,219)
Actuarial surplus in the schemes	336	171
Additional liability recognised due to minimum funding	(585)	(463)
Total pension liability[a]	(249)	(292)
Associated deferred tax asset	43	50

a. The total pension liability of £249m (2017 £292m) is represented by a £49m current liability (2017 £47m) and a £200m non-current liability (2017 £245m).

The movement in the fair value of the schemes' assets in the period is as follows:

	Scheme assets	
	2018 £m	2017 £m
Fair value of scheme assets at beginning of period	2,390	2,381
Interest income	63	53
Remeasurement gain:		
- Return on scheme assets (excluding amounts included in net finance charge)	23	3
Additional employer contributions	48	46
Benefits paid	(118)	(91)
Administration costs	(2)	(2)
At end of period	2,404	2,390

9. Pensions – (continued)

Changes in the present value of defined benefit obligations are as follows:

	Defined benefit obligation	
	2018 £m	2017 £m
Present value of defined benefit obligation at beginning of period	(2,219)	(2,587)
Interest cost	(58)	(57)
Benefits paid	118	91
Remeasurement losses:		
- Effect of changes in demographic assumptions	-	139
- Effect of changes in financial assumptions	100	164
- Effect of experience adjustments	(9)	31
At end of period[a]	(2,068)	(2,219)

a. The defined benefit obligation comprises £33m (2017 £34m) relating to the MABETUS unfunded plan and £2,035m (2017 £2,185m) relating to the funded plans.

10. Provisions

The provision for unavoidable losses on onerous property leases has been set up to cover rental payments of vacant or loss-making properties. Payments are expected to continue on these properties for periods of 1 to 25 years.

Provisions can be analysed as follows:

	Property leases £m
At 24 September 2016	9
Released in the period[a]	(1)
Provided in the period[b]	36
Unwinding of discount	1
Utilised in the period	(3)
At 30 September 2017	42
Released in the period[a]	(6)
Provided in the period[b]	11
Unwinding of discount	1
Utilised in the period	(5)
At 29 September 2018	43

a. Releases in the prior period primarily related to property disposals. Releases in the current period primarily relate to improvement in performance of managed properties.

b. During the prior period, a full review of estate strategy in relation to managed leasehold properties was completed, with specific focus on the challenges around loss-making sites and those located on retail and leisure parks. With lower footfall on many of these parks and the continued uncertain economic outlook, alongside increased cost pressures such as living wage, business rates review, apprenticeship levy, sugar tax and food price inflation, a number of short leasehold sites were considered to be challenged when striving to achieve a break-even profit performance. As a result, the losses were considered unavoidable for the remaining committed lease term for managed properties. In addition, the discount rate applied in the calculation was updated. As a result of these changes, a £35m increase in the provision was included as a separately disclosed item (see note 3). The remaining increase of £1m was recognised within adjusted profit, as this represented unavoidable losses on unlicensed properties.

11. Dividends

Declared and paid in the period

	2018			2017		
	Cash dividend £m	Settled via scrip £m	Total dividend £m	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	-	-	-
Interim dividend of 2.5p per share – 53 weeks ended 30 September 2017	-	-	-	8	3	11
Final dividend of 5.0p per share – 52 weeks ended 24 September 2016	-	-	-	4	17	21
	7	14	21	12	20	32

The final dividend of 5.0p per ordinary share declared in relation to the 53 weeks ended 30 September 2017 was approved at the Annual General Meeting on 23 January 2018 and was paid to shareholders on 6 February 2018. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme. Of the £21m final dividend, £14m was in the form of the issue of ordinary shares to shareholders opting in to the scrip alternative. The market value per share at the date of payment was 264.4p per share, resulting in the issue of 5 million new shares, fully paid up from the share premium account. The nominal value of the 5 million shares issued in relation to the final scrip dividends is £1m.

12. Financial Statements

The preliminary statement of results was approved by the Board of Directors on 21 November 2018. It does not constitute the Group's statutory financial statements for the 52 weeks ended 29 September 2018 or for the 53 weeks ended 30 September 2017. The financial information is derived from the statutory financial statements of the Group for the 52 weeks ended 29 September 2018.

Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 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.

13. Events after the balance sheet date

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 confirmed that there are four methods of equalising GMP that are lawful in principle, but importantly employers can direct trustees to apply 'method C' i.e. provide the better of male or female comparator pensions each year, subject to accumulated offsetting. 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.

This ruling will impact the Group's actuarial surplus/(deficit), as it will lead to an increase in pension obligations, however it should be noted that due to the recognition of an additional liability in relation to minimum funding, there will be no change to the reported pension position on the balance sheet. As the Trustee's have not previously attempted to equalise GMPs, the ruling is treated as a non-adjusting event.

Given the date of the ruling and complexity of application, it is not currently practical to estimate the impact on the actuarial surplus/(deficit) and income statement.

Alternative Performance Measures

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

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

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

APMs used to explain and monitor Group performance include:

APM	Definition	Source
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group income statement
Adjusted EBITDA	Annualised EBITDA on a 52 week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group income statement
EBITDA before adjusted items	EBITDA before separately disclosed items.	Group income statement
Operating profit	Earnings before interest and tax.	Group income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	Group 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 8 Group Income statement
Free cash flow	Calculated as net movement in cash and cash equivalents before the movement on unsecured revolving credit facilities.	Cash flow statement
Return on capital	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	**2018 52 weeks £m**	2017 53 weeks £m	Year-on -year %
Reported revenue	Income statement	**2,152**	2,180	**(1.3)**
Adjustment for 53rd week	See APM G	**-**	(39)	
Less non like-for-like sales		**(187)**	(202)	
Like-for-like sales		**1,965**	1,939	**1.3**

Drink and food sales growth FY 2018

	Source	**2018 52 weeks £m**	2017 52 weeks £m	Year-on -year %
Drink like-for-like sales		**917**	894	**2.6**
Food like-for-like sales		**999**	996	**0.3**
Other like-for-like sales		**49**	49	**-**
Total like-for-like sales		**1,965**	1,939	**1.3**

Like-for-like sales for first 7 weeks of FY 2019

	Source	**2019 7 weeks £m**	2018 7 weeks £m	Year-on -year %
Revenue		**276.7**	268.5	**3.1**
Less non like-for-like sales		**(26.5)**	(23.7)	
Like-for-like sales		**250.2**	244.8	**2.2**

B. Adjusted Operating Profit

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

	Source	**2018 52 weeks £m**	2017 53 weeks £m	Year-on -year %
Operating profit	Income statement	**255**	208	**22.6**
Add back separately disclosed items	Note 3	**48**	106	
Adjustment for 53rd week	See APM G	**-**	(6)	
Adjusted operating profit		**303**	308	**(1.6)**
Reported revenue 52 weeks		**2,152**	2,141	0.5
Adjusted operating margin		**14.1%**	14.4%	**(0.3)ppts**

C. Adjusted Earnings per Share

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

	Source	**2018 52 weeks £m**	2017 53 weeks £m	Year-on -year %
Profit for the period	Income statement	**104**	63	**65.1**
Add back separately disclosed items	Income statement	**41**	83	
Adjustment for 53rd week	See APM G	-	(2)	
Adjusted profit		**145**	144	**0.7**
Weighted average number of shares	Note 6	**425**	418	
Adjusted earnings per share		**34.1p**	34.4p	**(0.9)**

D. 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. Adjusted EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

	Source	**2018 52 weeks £m**	2017 53 weeks £m
Net debt	Note 8	**1,688**	1,750
EBITDA	Income statement	**417**	395
Less separately disclosed items	Income statement	**5**	34
Adjust for 53rd week	See APM G	**-**	(8)
Adjusted 52 week EBITDA		**422**	421
Net debt : Adjusted EBITDA		**4.0**	4.2

E. Free Cash Flow

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

	Source	**2018 52 weeks £m**	2017 53 weeks £m
Net decrease in cash and cash equivalents	Cash flow statement	**(25)**	(11)
Net movement on unsecured revolving credit facilities	Cash flow statement	**6**	25
		(19)	14

F. Second half Adjusted Operating Profit

	Source	2018 52 weeks £m	2017 52 weeks £m	Year-on -year %
First half adjusted operating profit	Interim statement	**141**	149	**(5.4)**
Second half adjusted operating profit		**162**	159	**1.9**
Adjusted operating profit		**303**	308	**(1.6)**

G. FY 2017 52 week reconciliation

FY 2017 was a 53 week period and therefore presentation of a 52 week basis provides better comparability.

	Source	2017 52 weeks	2017 Week 53	2017 53 weeks
Revenue	Income statement	£2,141m	£39m	£2,180m
EBITDA	Income statement	£387m	£8m	£395m
Adjusted operating profit	Income statement	£308m	£6m	£314m
Adjusted PBT	Income statement	£180m	£3m	£183m
Profit for the period	Income statement	£61m	£2m	£63m
Adjusted EPS	Income statement	34.4p	0.5p	34.9p
Net finance costs	Income statement	£128m	£3m	£131m

H. 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.

Return on expansionary capital

	Source	2017 FY14-17 £m	2018 FY15-17 £m	2018 FY 18 £m	2018 Total £m
Maintenance and infrastructure		333	216	70	**286**
Remodel - refurbishment		130	107	63	**170**
Non-expansionary capital		463	323	133	**456**
Remodel expansionary		27	27	7	**34**
Conversions and acquisitions*		158	139	27	**166**
Expansionary capital for return calculation		**185**	**166**	**34**	**200**
Expansionary capital open < 3 periods pre year end		12	9	4	**13**
Total capital	Cash flow	660	498	171	**669**
Adjusted EBITDA	Income statement	1,714	1,292	422	**1,714**
Non-incremental EBITDA		(1,680)	(1,268)	(414)	**(1,682)**
Incremental EBITDA		34	24	8	**32**
Return on expansionary capital		18%	14%	23%	**16%**

*Conversion and acquisition capital is net of capex incurred for projects which have been open for less than 3 periods pre year end

Return on remodel capital

	Source	FY 18 £m
Capital investment	Cash flow	171
Non-remodel capital investment		(108)
Remodel capital investment		63
Adjusted EBITDA	Income statement	422
Non-incremental EBITDA		(405)
Incremental EBITDA		17
ROI		27%