MITCHELLS & BUTLERS PLC

19 May 2016

HALF YEAR RESULTS AND BUSINESS UPDATE

(For the 28 weeks ended 9 April 2016)

- **Strong earnings growth; focus on driving profitable sales**
- **Review of strategic options completed – focus on accelerating organic growth**
- **Clear operational plan in place and already under way**

Financial performance

- Total revenue of £1,096m, down 1.5%
- Sales uplifts from invested sites[a] in excess of 10% in first year offset by decline in uninvested estate to give overall like-for-like sales decline of 1.6%[b]
- Adjusted operating profit of £156m[c], up 2.0%
- Adjusted operating margin 14.2%[c] (H1 2015: 13.7%)
- Adjusted earnings per share of 15.7p[c], up 9.0%
- Interim dividend of 2.5p approved

Reported results

- Profit before tax: £83m (H1 2015 £75m)
- Basic earnings per share: 18.4p (H1 2015 14.4p)

Balance sheet and cash flow

- Capital expenditure £88m (H1 2015: £94m), including 4 new site openings and 22 conversions
- Free cash flow before exceptional items of £34m[d] (H1 2015: £50m)
- Net debt of £1.86bn representing 4.2 times annualised adjusted EBITDA[e] (H1 2015 4.4 times)

Phil Urban, Chief Executive, commented:

"In the first half we increased our adjusted earnings by 9.0%[c]. However, in order to accelerate the trading performance of the group there is much to do in our three priority areas: building a more balanced business; instilling a more commercial culture; and increasing the pace of execution and innovation.

During the last six months we have completed a review of our strategic options. I am very clear that our best route for delivering sustainable returns for our shareholders is through the acceleration of organic growth: to maximise the return on the high-quality assets we own. Our plan, to reshape the estate and innovate in both existing and new offers for our guests, is now well under way and I have every confidence in its success."

Definitions

a – Invested estate comprises 294 sites that have been remodelled or converted in either FY 2015 or H1 2016.

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

c – Adjusted items are quoted before exceptional items. These comprised a £10m deferred tax credit and £1m profit on property disposals in H1 2016. There were no exceptional adjustments in H1 2015.

d – Free cash flow before exceptional items excludes £21m dividend payment (H1 2015 £nil); £32m (H1 2015 £30m) mandatory bond amortisation; £8m drawn from an unsecured revolving facility (H1 2015 £nil) and, in the prior year, £120m transferred from cash to other cash deposits.

e – Adjusted EBITDA for the 52 weeks to 9 April 2016.

There will be a presentation today for analysts and investors at 9.00am 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: 0203 059 8125 and quote "Mitchells & Butlers". The replay will be available until 25 May 2016 on 0121 260 4861 replay access pin 3236934#.

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

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Notes to editors:

- Mitchells & Butlers is a leading operator of managed restaurants and pubs. Its strong portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Crown Carveries, 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.
- Mitchells & Butlers serves around 140 million meals and 430 million drinks each year and is one of the largest operators within the UK's £80 billion eating and drinking out market.

BUSINESS REVIEW

In the first half of this year we have continued to drive delivery of the plans laid out last November, by focusing on our three key priorities:

- To build a more balanced business
- To instil a commercial culture
- To increase the pace of execution and innovation

Consistent with these priorities, we have now completed a review of our strategic options, aimed at better utilising our outstanding estate to drive sustainable profit growth for our shareholders.

Market and performance

We set out previously the external challenges which we face. We are operating in a highly competitive market, with increasingly demanding consumers, and real wage inflation from both the National Living Wage and the National Minimum Wage. Having identified these challenges previously, we recognise that they remain, but also that we have a plan to overcome them.

We are pleased to have delivered 9.0% adjusted EPS growth in the first half, on a stronger operating margin. This demonstrates our commitment to the delivery of profitable sales.

Although profitability has improved in the first half, sales have remained challenging. We therefore continue to work towards ensuring that the business is competitive and retains its appeal to our guests, whilst also remaining focused on profitability. However, the actions we have been taking to address our sales performance do not all have an immediate impact and we look forward to further progress.

Review of strategic options

In the last six months we have completed a review of the strategic options available to us, the focus of which has been how we can best generate long-term value for our shareholders, whilst balancing our obligations to bondholders and pension schemes in a challenging trading environment.

Our review has concluded that the best approach to driving shareholder value is through accelerating the level of innovation and investment in the business to generate organic growth, supplemented where appropriate with selective site acquisitions and disposals. We have made good early progress in this respect.

We are in the fortunate position of having a high-quality estate across the country, and have an opportunity to generate strong returns from these assets. We will manage our estate by increasing the number of conversions into our growth concepts, whilst accelerating the level of remodel activity, ensuring we remain competitive and are best able to leverage our brands through consistency of amenity. The plan will increase our exposure to premium offerings, matching demand in the market whilst also providing a commercial response to what we believe will continue to be an inflationary wage environment.

We have a clear plan, which aligns to our three priority areas and will be delivered through a number of critical workstreams:

Building a more balanced business
- Estate plan

Instilling a more commercial culture
- Sales culture
- Guest care
- Pricing
- Procurement

Increasing the pace of execution and innovation
- Digital marketing
- Technology
- Brand and product development

The workstreams within each priority area are outlined below.

Building a more balanced business

We believe that we have the best estate in the industry, with an outstanding array of outlets across the country. However, we recognise that elements of this estate have been under-invested in recent years, with capital expenditure having been directed towards necessary back-of-house investment in technology and kitchens, rather than guest-facing areas which would drive sales growth. This under-investment is manifest in the disparity between the strong sales performance in sites where we have recently invested as against declines where we have not. We also need to ensure that we make best use of our strong brands, by matching them individually to the right sites.

We have completed a full review of the estate, with a plan for every individual site to be achieved by 2020. This plan is aimed at building a more premium estate, by converting sites where appropriate into growth concepts, and with a small number of selected disposals.

A key feature to the estate plan is the level of investment. In order to remain competitive in this environment, and to fully leverage the power of our brands, we must invest in improving and maintaining amenity levels across the estate. As such we have accelerated our investment in remodels and conversions. We will aim for 300 to 350 sites per year, equivalent to a five to six year investment cycle compared to the cycle of over ten years on which we have been operating. This acceleration has begun already, with 142 remodels completed in the first half of this year, compared with 97 in the same period last year.

Our estate plan will result in us taking action across the premium, mid-market and value areas of our estate, three significant examples are described below:

At the premium end of our estate, we will look to grow the Miller & Carter brand towards 100 sites by 2018, from a current level of 43. This is a brand with a clear and attractive offer to guests, and one which consistently delivers strong like-for-like sales and volume growth. We completed three Harvester to Miller & Carter conversions in the first half, all of which are trading very well in their first few months with EBITDA returns well in excess of the targeted 30%. Following these early successes and given the strength of the Miller & Carter brand proposition, we have identified a number of further sites which are suitable for conversion to the brand.

Within the mid-market, Harvester is an example of a fantastic brand with high-taking sites and great consumer resonance, but which has had some challenges in recent years. Harvester has been competing in a market which has seen significant new openings, with competitor offerings often being well-invested. By contrast, too many of our 233 Harvester sites have been under-invested in guest-facing areas in recent years, making it difficult to remain competitive in their local markets. Over time we are looking to reduce the scale of the Harvester estate to a core, all of which will be remodelled within the next 18 months, offering a consistent proposition and a level of amenity to truly leverage the brand's strength.

Within our value-led sites we are rolling out our successful Pizza & Carvery format, of which there are currently 14 sites that previously traded as Crown Carveries. These sites have been trading well, generating EBITDA returns of around 25%. We will convert around 20 more by the end of FY 2016, with plans for a total of more than 80 by 2018. The format offers a compelling conversion opportunity for a number of our Crown Carveries sites, and selected sites from the unconverted Orchid estate.

Our plans in this area are already well under way. In the current year we have accelerated our capital programme and anticipate delivering around 260 remodels and conversions plus 10 new site openings, at a total capital cost of around £180m. Next year we anticipate delivering around 300 remodels and conversions, supplemented by around 15 new site openings, at a total capital cost of around £200m.

<u>Instilling a commercial culture</u>

As outlined previously, as a business we need to return to the fundamental principles of trading. Our plans in this area have now been broken down into a number of key workstreams.

Building a sales culture

We are building more of a trading mentality throughout the business, by reinforcing the importance of delivering profitable sales growth. This focus is wide-ranging across all areas of the business, with some signs of early progress already evident.

We have installed a dedicated sales team in London, to focus purely on booking our fantastic trading spaces. This team is not aligned to individual brands or sites, rather it is in place to provide a single point of contact and consistent approach to working with third parties to drive new sales into our locations.

We have introduced a sales incentive scheme for the second half of this financial year, with each of our sites able to achieve bonus payments on a weekly basis for delivery of stretching targets. Early results from the scheme are positive.

We are also providing dedicated sales training sessions for all of our house managers and area managers within the next two months.

Guest care

One of our most powerful ways of delivering sales growth is by engaging more closely with our guests, and we are looking to reinforce that understanding with all of our teams. We are driving significant focus in the business on the speed of complaints resolution, aiming to have all guest complaints resolved to a satisfactory level within 24 hours.

We are also empowering our outlet managers to engage directly with guests on social media sites; notably access to individual TripAdvisor sites has been granted, allowing local management of guest reviews. This will be followed up with other social media channels in the coming months.

Pricing

We are reviewing our pricing strategies across all of our brands, ensuring that they are consistent with a company level approach. This includes simplifying our existing structures, for example significantly reducing the number of active price bands we have at a local site level. We are facilitating a greater level of flexibility by managing innovative pricing trials co-ordinated at a company level.

We are also looking carefully at how we best exploit opportunities for guests to trade-up, by ensuring an appropriate level of price is attached to more premium products.

Procurement

Our procurement workstream is tasked with continuously challenging the business to make the most of its scale. In June this year we are launching an online ordering platform for consumables, aimed at increasing efficiency and compliance among our teams. We are looking to optimise the frequency with which we deliver food and drink to our sites, with a trial under way.

Increasing the pace of execution and innovation

We set out in November an intention to increase the pace of activity, and to foster more of an innovative environment within the company. We have worked at pace to begin making progress across a number of initiatives, and our workstreams in this area are set out below.

Digital

As we have laid out previously, digital marketing offers us a significant opportunity to engage with our customers, leverage our strong portfolio of brands and build loyalty for the longer term.

In the latter part of last year our focus was on consolidation of our guest database. This was completed in December, with around 8m guests now recorded in a single customer warehouse. This provides us with a fantastic platform from which to develop future digital marketing opportunities.

Our future digital marketing plans look to build on this foundation, via a MAB-wide digital roadmap. This roadmap works across five key pillars: guest acquisition, user web experience, customer relationship management, guest loyalty and social media. Across these areas we will have an increased level of partnership activity with booking providers, promotional activity tailored to individual guests, and the development of brand loyalty apps.

Technology

Our technology workstream is closely aligned with our digital roadmap, aimed at facilitating delivery of the digital initiatives. This includes linking our existing table management software with third party booking providers, to fully realise the value of our full table inventory and to allow short-term optimisation of inventory, including through last-minute promotional activity where appropriate.

Technology will also work alongside digital activity on new guest-facing initiatives, such as payment technology, pre-ordering, improving our takeaway offer and increased level of guest personalisation.

Brand and product innovation

As well as having an estate plan to improve the level of amenity in our sites, we recognise the need to continuously innovate in our brands, particularly within the current competitive market. This is an ongoing process, with varying levels of innovation required at different stages for individual brands. Some recent examples of developments are included below.

The Vintage Inns offer has been repositioned, with a focus on an accessible mid-market country pub. Food and drink offers have been revised, with a new menu and drinks range. Pizza ovens have been installed at all sites, with a low level of capex delivering strong returns.

We have also carried out work on a number of our existing offers, including a trial concept for a new O'Neill's format in Birmingham, the testing of new designs, food and drink in the Ember Inns through the 'Emberlution' project and partnering with branded coffee providers to offer a consistent and high-quality coffee offering across entire brands within the estate.

In addition to developing our existing brands, we are also continuing to explore a number of opportunities for new concept development to complement our existing activities, and will update on this as they progress further.

Outlook

We are clear that our strategy to accelerate organic growth is the best route for delivering sustainable long-term value for our shareholders. We have an outstanding estate, and our plan is to generate the best returns from it through a continued focus on our three priority areas: building a more balanced business; instilling a more commercial culture; and increasing the pace of execution and innovation.

Following a challenging trading period with subdued sales but margin growth, our sales performance in recent weeks has been more encouraging. We are cognisant of the challenge of future wage cost increases but will continue to execute our plans at pace to build on this performance.

FINANCIAL REVIEW

On a statutory basis, profit before tax for the period was £83m (H1 2015 £75m), on sales of £1,096m (H1 2015 £1,113m).

The Group Income Statement discloses adjusted profit and earnings per share information that excludes exceptional items to allow a better understanding of the underlying trading of the Group. Adjusted earnings per share increased by 9.0% in the first half of 2016 to 15.7p.

At the end of the period, the total estate comprised 1,779 managed businesses and 55 franchised businesses, in the UK and Germany.

Changes in accounting policies

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

Revenue

The Group's total revenues of £1,096m were 1.5% lower than the first half last year, with lower like-for-like sales only partially offset by new site openings.

Total like-for-like sales fell by 1.6%, reflecting sales growth on invested sites in excess of 10% in the year following investment, offset by declines in the uninvested estate. In total, food sales were down by 2.0% and drink sales by 1.5%. Volumes of both food and drink fell, by 5.1% and 4.8% respectively. Average spend on food was up by 3.3%, with average drink spend up by 3.6%.

Like-for-like sales growth:	**Week 1 – 28**	**Week 29 – 33**	**Week 1 – 33**
	FY 2016	**FY 2016**	**FY 2016**
Food	(2.0%)	(1.1%)	(1.8%)
Drink	(1.5%)	0.4%	(1.1%)
Total	(1.6%)	(0.4%)	(1.4%)

Operating margins

Adjusted operating margins for the first half were 0.5ppts higher than last year at 14.2%. Cost inflation, with the exception of employment, has remained benign, in particular on food and energy. The first half margin also benefited from non-recurring prior year costs, including the Orchid head office, which remained open until April 2015, and the costs of completing IT projects in the first half of last year. These year-on-year cost savings will not continue into the second half.

Second half margins will also be impacted by the introduction of the National Living Wage, which is expected to generate an incremental gross cost of around £7m in the second half of this financial year.

Adjusted operating profit for the first half was £156m, 2.0% higher than the same period last year.

Exceptional items

Exceptional items comprise a £10m deferred tax credit arising mostly as a result of the reduction in the standard rate of corporation tax to 19% from April 2017 and to 18% from April 2020, plus £1m profit on property disposals.

Interest

Net finance costs of £74m were £4m lower than in the first half last year, reflecting a lower net pensions finance charge of £6m (H1 2015 £8m), and a reduction in Group securitised borrowings.

For 2016 we expect the full year pensions finance charge to be around £12m (2015 £15m).

Taxation

The estimated annual effective tax rate is 20.0% (H1 2015 20.5%), the reduction reflecting the lower rate of corporation tax in place from April 2015.

Earnings per share

Adjusted earnings per share were 15.7p, 9.0% higher than last year. After the exceptional items described above, basic earnings per share were 18.4p (H1 2015 14.4p).

Cash flow and net debt

The cash flow statement below excludes £32m of mandatory bond amortisation (H1 2015 £30m), £8m drawn from an unsecured revolving facility (H1 2015 £nil) and, in the prior year, £120m transferred from cash to other cash deposits.

	H1 2016 £m	**H1 2015 £m**
EBITDA before exceptional items	217	213
Working capital movement / non-cash items	-	26
Pension deficit contributions	(26)	(23)
Cash flow from operations before exceptional items	**191**	**216**
Maintenance and infrastructure capex	(72)	(70)
Expansionary capex	(16)	(24)
Interest	(62)	(63)
Tax	(8)	(12)
Disposals and other	1	3
Free Cash Flow before exceptional items	**34**	**50**
Dividend	(21)	-
Operating exceptional	-	(3)
Net cash flow	**13**	**47**

The business generated £217m of EBITDA before exceptional items in the first half. Pension deficit contributions of £26m were higher than last year, driven by costs of the scheme's early retirement facility, which expired during the period. After capital expenditure, interest and tax, £34m of free cash before exceptional items was generated by the business.

Net debt of £1,862m, represented 4.2 times annualised EBITDA (H1 2015 4.4 times).

Capital expenditure

Total maintenance and infrastructure capex of £72m was £2m higher than last year, driven by an acceleration in the number of remodels completed in the first half, which are generating an EBITDA return of around 25%. This increase was partially offset by a reduction in infrastructure capex, with the completion of key IT projects in the first half of H1 2015.

Expansionary capital expenditure was lower in the first half, as our focus has turned to prioritising investment in the existing estate with fewer new site acquisitions. Our conversions in the first half comprised the continuation of the Orchid programme, as well as three Harvester to Miller & Carter conversions.

The blended EBITDA return on expansionary capital invested since FY 2013 was in line with last year at 18%.

	H1 2016		**H1 2015**	
	£m	**#**	**£m**	**#**
Maintenance and infrastructure (excluding remodels)	34		42	
Remodels	38	142	28	97
Conversions	12	22	10	23
Sub-total	50	164	38	120
Acquisitions – freehold	1	2	5	2
Acquisitions – leasehold	3	2	9	7
Total capital expenditure	**88**		**94**	

Pensions

The Company continues to make pensions deficit payments based on the schedule of contributions agreed as part of the triennial valuations at 31 March 2013, which showed an assessed funding shortfall at that time of £572m. The discounted value of the minimum funding requirement agreed as part of the revised schedule of contributions is recognised in the balance sheet at £340m (H1 2015 £420m) before tax.

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

Dividends

The Board has approved an interim dividend of 2.5 pence per share which will be paid on 4 July 2016 to shareholders on the register at the close of business on 27 May 2016.

Shareholders who do not currently participate in the Company's Dividend Reinvestment Plan and wish to receive the interim dividend in shares rather than cash should complete a mandate form for the Dividend Reinvestment Plan and return it to the registrars no later than 13 June 2016.

Risk factors and uncertainties

The risks and uncertainties that affect the company remain unchanged and are set out on pages 18 – 21 of the 2015 Annual report and accounts which is available on the Mitchells & Butlers website at www.mbplc.com.

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 18 May 2016 and is signed on its behalf by Tim Jones, Finance Director.

GROUP CONDENSED INCOME STATEMENT
for the 28 weeks ended 9 April 2016

	2016 28 weeks (Unaudited)		2015 28 weeks (Unaudited)		2015 52 weeks (Audited)	
	Before exceptional items[a] £m	**Total £m**	Before exceptional items[a] £m	Total £m	Before exceptional items[a] £m	Total £m
Revenue (note 2)	**1,096**	**1,096**	1,113	1,113	2,101	2,101
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	**(879)**	**(879)**	(900)	(900)	(1,662)	(1,662)
Net profit arising on property disposals	**-**	**1**	-	-	-	7
EBITDA[b]	**217**	**218**	213	213	439	446
Depreciation, amortisation and movements in the valuation of the property portfolio	**(61)**	**(61)**	(60)	(60)	(111)	(176)
Operating profit	**156**	**157**	153	153	328	270
Finance costs (note 4)	**(69)**	**(69)**	(71)	(71)	(130)	(130)
Finance revenue (note 4)	**1**	**1**	1	1	1	1
Net pensions finance charge (note 4)	**(6)**	**(6)**	(8)	(8)	(15)	(15)
Profit before tax	**82**	**83**	75	75	184	126
Tax expense (note 5)	**(17)**	**(7)**	(16)	(16)	(37)	(23)
Profit for the period	**65**	**76**	59	59	147	103
Earnings per ordinary share (note 6):						
Basic	**15.7p**	**18.4p**	14.4p	14.4p	35.7p	25.0p
Diluted	**15.7p**	**18.4p**	14.2p	14.2p	35.5p	24.9p

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

All results relate to continuing operations.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the 28 weeks ended 9 April 2016

	2016 28 weeks £m (Unaudited)	2015 28 weeks £m (Unaudited)	2015 52 weeks £m (Audited)
Profit for the period	**76**	59	103
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of the property portfolio	**-**	-	25
Remeasurement of pension liability (note 11)	**(9)**	(9)	6
Tax relating to items not reclassified (note 5)	**7**	4	(9)
	(2)	(5)	22
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**2**	(1)	(1)
Cash flow hedges:			
- Losses arising during the period	**(54)**	(94)	(86)
- Reclassification adjustments for items included in profit or loss	**6**	(1)	31
Tax relating to items that may be reclassified (note 5)	**3**	19	11
	(43)	(77)	(45)
Other comprehensive loss after tax	**(45)**	(82)	(23)
Total comprehensive profit/(loss) for the period	**31**	(23)	80

GROUP CONDENSED BALANCE SHEET
9 April 2016

ASSETS	**2016 9 April £m (Unaudited)**	2015* 11 April restated* £m (Unaudited)	2015 26 September £m (Audited)
Goodwill and other intangible assets (note 8)	**9**	9	10
Property, plant and equipment (note 8)	**4,271**	4,268	4,242
Lease premiums	**3**	2	2
Deferred tax asset	**143**	179	156
Derivative financial instruments (note 12)	**34**	27	19
Total non-current assets	**4,460**	4,485	4,429
Inventories	**25**	28	24
Trade and other receivables	**39**	76	46
Other cash deposits (note 9)	**120**	120	120
Cash and cash equivalents (note 9)	**152**	152	163
Total current assets	**336**	376	353
Total assets	**4,796**	4,861	4,782
LIABILITIES			
Pension liabilities (note 11)	**(46)**	(85)	(46)
Trade and other payables	**(309)**	(338)	(317)
Current tax liabilities	**(17)**	(24)	(15)
Borrowings (note 9)	**(228)**	(210)	(214)
Derivative financial instruments (note 12)	**(43)**	(44)	(43)
Total current liabilities	**(643)**	(701)	(635)
Pension liabilities (note 11)	**(294)**	(335)	(304)
Borrowings (note 9)	**(1,942)**	(2,008)	(1,960)
Derivative financial instruments (note 12)	**(302)**	(290)	(253)
Deferred tax liabilities	**(323)**	(347)	(349)
Long-term provisions	**(10)**	(12)	(10)
Total non-current liabilities	**(2,871)**	(2,992)	(2,876)
Total liabilities	**(3,514)**	(3,693)	(3,511)
Net assets	**1,282**	1,168	1,271
EQUITY			
Called up share capital	**35**	35	35
Share premium account	**27**	26	26
Capital redemption reserve	**3**	3	3
Revaluation reserve	**953**	918	938
Own shares held	**(1)**	(2)	(1)
Hedging reserve	**(285)**	(272)	(240)
Translation reserve	**12**	10	10
Retained earnings	**538**	450	500
Total equity	**1,282**	1,168	1,271

*Restated for the fair valuation acquisition of Orchid Pub & Dining Limited and Midco 1 Limited (see note 14).

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 9 April 2016

	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 27 September 2014 (Audited)	35	24	3	918	(4)	(196)	11	394	1,185
Profit for the period	-	-	-	-	-	-	-	59	**59**
Other comprehensive income/(expense)	-	-	-	-	-	(76)	(1)	(5)	**(82)**
Total comprehensive income/(expense)	-	-	-	-	-	(76)	(1)	54	**(23)**
Share capital issued	-	2	-	-	-	-	-	-	**2**
Release of own shares	-	-	-	-	2	-	-	(1)	**1**
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	**2**
Tax on share-based payments	-	-	-	-	-	-	-	1	**1**
At 11 April 2015 (Unaudited)	**35**	**26**	**3**	**918**	**(2)**	**(272)**	**10**	**450**	**1,168**
Profit for the period	-	-	-	-	-	-	-	44	**44**
Other comprehensive income/(expense)	-	-	-	20	-	32	-	7	**59**
Total comprehensive income/(expense)	-	-	-	20	-	32	-	51	**103**
Release of own shares	-	-	-	-	1	-	-	-	**1**
Tax on share-based payments	-	-	-	-	-	-	-	(1)	**(1)**
At 26 September 2015 (Audited)	**35**	**26**	**3**	**938**	**(1)**	**(240)**	**10**	**500**	**1,271**
Profit for the period	-	-	-	-	-	-	-	76	**76**
Other comprehensive income/(expense)	-	-	-	15	-	(45)	2	(17)	**(45)**
Total comprehensive income/(expense)	-	-	-	15	-	(45)	2	59	**31**
Share capital issued	-	1	-	-	-	-	-	-	**1**
Purchase of own shares	-	-	-	-	(1)	-	-	-	**(1)**
Release of own shares	-	-	-	-	1	-	-	(1)	**-**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Dividends paid	-	-	-	-	-	-	-	(21)	**(21)**
At 9 April 2016 (Unaudited)	**35**	**27**	**3**	**953**	**(1)**	**(285)**	**12**	**538**	**1,282**

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 9 April 2016

	2016 28 weeks £m (Unaudited)	2015 28 weeks £m (Unaudited)	2015 52 weeks £m (Audited)
Cash flow from operations			
Operating profit	**157**	153	270
Add back: operating exceptional items	**(1)**	-	58
Operating profit before exceptional items	**156**	153	328
Add back:			
Depreciation of property, plant and equipment	**60**	59	109
Amortisation of intangibles	**1**	1	2
Cost charged in respect of share based payments	**1**	2	2
Administrative pension costs (note 11)	**1**	1	2
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**219**	216	443
(Increase)/decrease in inventories	**(1)**	(1)	3
(Increase)/decrease in trade and other receivables	**(12)**	2	22
Increase in trade and other payables	**11**	22	21
Decrease in provisions	**-**	-	(2)
Additional pension contributions (note 11)	**(26)**	(23)	(86)
Cash flow from operations before exceptional items	**191**	216	401
Cash flow from operating exceptional items	**-**	(3)	(6)
Interest paid	**(63)**	(64)	(129)
Interest received	**1**	1	2
Tax paid	**(8)**	(12)	(25)
Net cash from operating activities	**121**	138	243
Investing activities			
Acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited	**-**	(1)	(1)
Purchases of property, plant and equipment	**(88)**	(91)	(157)
Purchases of intangible assets	**-**	(1)	(3)
Payment of lease premium	**-**	(2)	(2)
Proceeds from sale of property, plant and equipment	**1**	1	6
Transfers (to)/from other cash deposits	**-**	(120)	(120)
Net cash used in investing activities	**(87)**	(214)	(277)
Financing activities			
Dividends paid	**(21)**	-	-
Issue of ordinary share capital	**1**	2	2
Purchase of own shares	**(1)**	-	-
Proceeds on release of own shares	**-**	1	1
Repayment of principal in respect of securitised debt	**(32)**	(30)	(61)
Drawings under unsecured revolving credit facility	**8**	-	-
Net cash used in financing activities	**(45)**	(27)	(58)
Net decrease in cash and cash equivalents (note 10)	**(11)**	(103)	(92)

Cash and cash equivalents at the beginning of the financial period	**163**	255	255
Cash and cash equivalents at the end of the financial period	**152**	152	163

Cash and cash equivalents are defined in note 9.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Basis of preparation and accounting policies

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

The information for the 52 weeks ended 26 September 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. This interim financial information should be read in conjunction with the Annual Report and Accounts 2015.

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2015.

Adjusted profit

In addition to presenting information on an IFRS basis, the Group also presents adjusted profit and earnings per share information that excludes exceptional items, including the impact of related tax. This adjusted information is disclosed to allow a better understanding of the underlying trading performance of the Group and is consistent with the Group's internal management reporting. Exceptional items are those which are separately identifiable by virtue of their size or incidence and include movements in the valuation of the property portfolio as a result of the annual revaluation exercise, impairment review of short leasehold and unlicensed properties, restructuring costs and corporation tax rate change. Further information is available in the Annual Report and Accounts 2015 and in note 3.

Going Concern

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

2. SEGMENTAL ANALYSIS

IFRS 8 Operating Segments requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker ("CODM"). The CODM is regarded as the Chief Executive together with other Board members. The CODM uses 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		
	2016 28 wks	2015 28 wks	2015 52 wks	**2016 28 wks**	2015 28 wks	2015 52 wks	**2016 28 wks**	2015 28 wks	2015 52 wks
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m
Revenue	**1,096[a]**	1,113[a]	2,101[a]	**-**	-	-	**1,096**	1,113	2,101
EBITDA pre exceptionals	**102**	94	219	**115[b]**	119[b]	220[b]	**217**	213	439
Operating profit pre exceptionals	**48**	42	121	**108**	111	207	**156**	153	328
Exceptional items[c]							**1**	**-**	(58)
Operating profit							**157**	153	270
Net finance costs							**(74)**	(78)	(144)
Profit before tax							**83**	75	126
Tax expense							**(7)**	(16)	(23)
Profit for the financial period							**76**	59	103

a Revenue includes other income of £3m (11 April 2015 £3m; 26 September 2015 £6m) in respect of franchise operations and £nil (11 April 2015 £nil; 26 September 2015 £6m) in respect of sales of development properties.

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

c Refer to note 3.

3. EXCEPTIONAL ITEMS

	Notes	**2016 28 weeks £m**	2015 28 weeks £m	2015 52 weeks £m
Operating exceptional items				
Movement in the valuation of the property portfolio:				
- Impairment arising from the revaluation	a	**-**	-	(54)
- Other impairment	a	**-**	-	(11)
Net movement in the valuation of the property portfolio		**-**	-	(65)
Other exceptional items:				
Net profit arising on property disposals	b	**1**	-	7
Total exceptional items before tax		**1**	-	(58)
Tax credit	c	**10**	-	14
Total exceptional items after tax		**11**	-	(44)

a Movements in the valuation of the property portfolio includes impairment arising from the Group's revaluation of its pub estate and impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount.

b Amounts relating to the 52 weeks ended 26 September 2015 include the release of a £5m accrual for costs in relation to the disposal of properties in prior periods.

c A deferred tax credit has been recognised in the current period following the enactment of legislation on 18 November 2015 which lowered the UK standard rate of corporation tax from 20% to 19% from 1 April 2017, with a further reduction to 18% from 1 April 2020.

All exceptional items relate to continuing operations.

4. FINANCE COSTS AND FINANCE REVENUE

	2016 28 weeks	2015 28 weeks	2015 52 weeks
	£m	£m	£m
Finance costs			
Interest on securitised and other debt	**(69)**	(71)	(130)
Finance revenue			
Interest receivable – cash	**1**	1	1
Net pensions finance charge (note 11)	**(6)**	(8)	(15)

5. TAXATION

	2016 28 weeks	2015 28 weeks	2015 52 weeks
	£m	£m	£m
Tax charged in the income statement			
Current tax			
- UK corporation tax	**(14)**	(15)	(21)
- Amounts over provided in prior periods	**3**	-	3
Total current tax charge	**(11)**	(15)	(18)
Deferred tax			
- Origination and reversal of temporary differences	**(3)**	(1)	(6)
- Adjustments in respect of prior periods - tax losses	**-**	-	4
- Adjustments in respect of prior periods - other	**(1)**	-	(3)
- Change in tax rate	**8**	-	-
Total deferred tax credit/(charge)	**4**	(1)	(5)
Total tax charged in the income statement	**(7)**	(16)	(23)

	2016 28 weeks	2015 28 weeks	2015 52 weeks
	£m	£m	£m

Tax relating to items recognised in other comprehensive income

Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised gains due to revaluations – revaluation reserve	**15**	-	(5)
- Unrealised gains due to revaluations – retained earnings	**(1)**	2	(3)
- Remeasurement of pension liability	**(7)**	2	(1)
	7	4	(9)
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges:			
- Losses arising during the period	**3**	19	17
- Reclassification adjustments for items included in profit or loss	**-**	-	(6)
	3	19	11
Total tax credit recognised in other comprehensive income	**10**	23	2

Tax has been calculated using an estimated annual effective tax rate of 20.0% (2015 28 weeks, 20.5%; 52 weeks, 20.5%) on profit before tax.

The Finance (No.2) Act 2015 was enacted on 18 November 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017, with a further reduction to 18% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balance at 9 April 2016.

6. EARNINGS PER ORDINARY SHARE

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

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

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

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
28 weeks ended 9 April 2016			
Profit/EPS	**76**	**18.4 p**	**18.4 p**
Exceptional items, net of tax	**(11)**	**(2.7)p**	**(2.7)p**
Adjusted profit/EPS	**65**	**15.7 p**	**15.7 p**
28 weeks ended 11 April 2015			
Profit/EPS	59	14.4 p	14.2 p
Exceptional items, net of tax	-	-	-
Adjusted profit/EPS	59	14.4 p	14.2 p
52 weeks ended 26 September 2015			
Profit/EPS	103	25.0 p	24.9 p
Exceptional items, net of tax	44	10.7 p	10.6 p
Adjusted profit/EPS	147	35.7 p	35.5 p

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

	2016 28 weeks millions	2015 28 weeks millions	2015 52 weeks millions
For basic EPS calculations	**413**	411	412
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	**1**	3	1
- Other share options	**-**	1	1
For diluted EPS calculations	**414**	415	414

7. DIVIDENDS

	2016 28 weeks £m	2015 28 weeks £m	2015 52 weeks £m
Declared and paid in the period			
Final dividend for 52 weeks ended 26 September 2015 of 5.0p per share	**21**	-	-

An interim dividend of 2.5p per share, amounting to £10m, has been proposed by the Directors and will be paid on 4 July 2016 to those shareholders on the register at the close of business on 27 May 2016. This interim financial information does not reflect this dividend payable.

8. PROPERTY, PLANT AND EQUIPMENT

	2016 9 April £m	2015 11 April restated* £m	2015 26 September £m
At beginning of period	**4,242**	4,237	4,237
Additions	**88**	91	158
Revaluation	**-**	-	(40)
Disposals	**-**	(1)	(5)
Depreciation provided during the period	**(60)**	(59)	(109)
Exchange differences	**1**	-	1
At end of period	**4,271**	4,268	4,242

*Restated for the fair valuation acquisition of Orchid Pub & Dining Limited and Midco 1 Limited (see note 14).

The freehold and long leasehold licensed properties were valued at market value as at 26 September 2015 by CBRE, independent Chartered Surveyors. Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at deemed cost at transition to IFRS less depreciation and impairment provisions.

Goodwill and other intangible assets at 9 April 2016 comprises goodwill of £2m (11 April 2015 £2m, 26 September 2015 £2m) and computer software of £7m (11 April 2015 £7m, 26 September 2015 £8m).

9. ANALYSIS OF NET DEBT

	2016 9 April £m	2015 11 April £m	2015 26 September £m
Cash and cash equivalents	**152**	152	163
Other cash deposits	**120**	120	120
Securitised debt	**(2,015)**	(2,071)	(2,027)
Liquidity facility	**(155)**	(147)	(147)
Derivatives hedging balance sheet debt[a]	**36**	29	21
	(1,862)	(1,917)	(1,870)

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

9. ANALYSIS OF NET DEBT (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months is disclosed as other cash deposits.

Securitised debt

The overall cash interest rate payable on the loan notes is fixed at 6.1% (11 April 2015 6.1%, 26 September 2015 6.1%) after taking account of interest rate hedging and the cost of the provision of a financial guarantee provided by Ambac in respect of the Class A and AB notes. The notes are secured on the majority of the Group's property and future income streams.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other Group companies. At 9 April 2016, Mitchells & Butlers Retail Limited had cash and cash equivalents of £91m (11 April 2015 £90m, 26 September 2015 £108m) which were governed by the covenants associated with the securitisation. Of this amount £39m (11 April 2015 £37m, 26 September 2015 £36m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions. The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

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

	2016 9 April £m	2015 11 April £m	2015 26 September £m
Principal outstanding at beginning of period	**2,031**	2,078	2,078
Principal repaid during the period	**(32)**	(30)	(61)
Exchange on translation of dollar loan notes	**15**	22	14
Principal outstanding at end of period	**2,014**	2,070	2,031
Deferred issue costs	**(7)**	(8)	(8)
Accrued interest	**8**	9	4
Carrying value at end of period	**2,015**	2,071	2,027

Liquidity facility

Under the terms of the securitisation, the Group holds a liquidity facility of £295m provided by two counterparties. As a result of the decrease in credit rating of one of the counterparties, the Group was obliged to draw that counterparty's portion of the facility. The amount drawn at 9 April 2016 is £147m (11 April 2015 £147m, 26 September 2015 £147m). These funds are charged under the terms of the securitisation and are not available for use in the wider Group.

Unsecured revolving credit facilities

The Group holds two revolving credit facilities of £75m each, available for general corporate purposes. The amount drawn at 9 April 2016 is £8m (11 April 2015 £nil, 26 September £nil). Both facilities expire on 31 December 2017.

10. MOVEMENT IN NET DEBT

	2016 28 weeks £m	2015 28 weeks £m	2015 52 weeks £m
Net decrease in cash and cash equivalents	**(11)**	(103)	(92)
Add back cash flows in respect of other components of net debt:			
- Transfers to other cash deposits	**-**	120	120
- Repayment of principal in respect of securitised debt	**32**	30	61
- Drawings under liquidity facility	**(8)**	-	-
Decrease in net debt arising from cash flows	**13**	47	89
Movement in capitalised debt issue costs net of accrued interest	**(5)**	(6)	(1)
Decrease in net debt	**8**	41	88
Opening net debt	**(1,870)**	(1,958)	(1,958)
Closing net debt	**(1,862)**	(1,917)	(1,870)

11. PENSIONS

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

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

Measurement of scheme assets and liabilities

Actuarial valuation
The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the actuarial valuation carried out at 31 March 2013 and updated by the schemes' independent qualified actuaries to 9 April 2016. Scheme assets are stated at market value at 9 April 2016 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the scheme liabilities are discounted using market yields at the end of the period on high quality corporate bonds.

The principal financial and mortality assumptions used at the balance sheet date have been updated to reflect changes in market conditions in the period and more up to date mortality assumptions, in line with those used in the 2013 actuarial valuation.

	2016 28 weeks	2015 28 weeks	2015 52 weeks
Discount Rate	**3.3%**	3.1%	3.6%
Inflation (RPI)	**2.9%**	3.1%	3.1%
Implied life expectancies from age 65:			
- MABPP male currently 45	**24.3 years**	24.3 years	24.3 years
- MABEPP male currently 45	**27.6 years**	27.6 years	27.6 years

11. PENSIONS (CONTINUED)

Minimum funding requirements
The results of the 2013 funding valuation showed a funding deficit of £572m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 (revised) and on 21 May 2014 the Company formally agreed a 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension liabilities. The Group agreed to increase contributions from £40m to £45m per annum, for three years commencing 1 April 2013. From 1 April 2016 contributions then increase each year by the rate of RPI (subject to a minimum increase of 0% and a maximum increase of 5%) for the following seven years. As part of the recovery plan, the Group also made a further payment of £40m in September 2015 on terms agreed with the Trustees. Under IFRIC 14, an additional liability is recognised, such that the overall pension liability at the period end reflects the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actuarial deficit.

Amounts recognised in respect of pension schemes

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

Group income statement	**2016 28 weeks**	2015 28 weeks	2015 52 weeks
	£m	£m	£m
Operating profit			
Employer contributions (defined contribution plans)	**(4)**	(4)	(7)
Administrative costs (defined benefit plans)	**(1)**	(1)	(2)
Charge to operating profit	**(5)**	(5)	(9)
Finance costs			
Net pensions finance charge on actuarial deficit	**(2)**	(3)	(6)
Additional pensions finance charge due to minimum funding	**(4)**	(5)	(9)
Net pensions finance charge	**(6)**	(8)	(15)
Total charge	**(11)**	(13)	(24)

Group statement of comprehensive income	**2016 28 weeks**	2015 28 weeks	2015 52 weeks
	£m	£m	£m
Return on scheme assets and effects of changes in assumptions	**30**	(66)	13
Movement in pension liability due to minimum funding	**(39)**	57	(7)
Remeasurement of pension liability	**(9)**	(9)	6

Group balance sheet	**2016 9 April £m**	2015 11 April £m	2015 26 September £m
Fair value of scheme assets	**2,079**	2,099	2,010
Present value of scheme liabilities	**(2,128)**	(2,340)	(2,112)
Actuarial deficit in the schemes	**(49)**	(241)	(102)
Additional liability recognised due to minimum funding	**(291)**	(179)	(248)
Total pension liability	**(340)**	(420)	(350)
Associated deferred tax asset	**61**	84	70

11. PENSIONS (CONTINUED)

Movements in the total pension liability are analysed as follows:

	2016 28 weeks £m	2015 28 weeks £m	2015 52 weeks £m
At beginning of period	**(350)**	(425)	(425)
Administration costs	**(1)**	(1)	(2)
Net pensions finance charge	**(6)**	(8)	(15)
Employer contributions	**26**	23	86
Remeasurement of pension liability	**(9)**	(9)	6
At end of period	**(340)**	(420)	(350)

12. FINANCIAL INSTRUMENTS

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

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

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

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

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
At 9 April 2016				
Financial assets				
Currency swaps	-	34	-	34
Financial liabilities				
Interest rate swaps	-	(345)	-	(345)
	-	**(311)**	**-**	**(311)**
At 11 April 2015				
Financial assets				
Currency swaps	-	27	-	27
Financial liabilities				
Interest rate swaps	-	(334)	-	(334)
	-	(307)	-	(307)
At 26 September 2015				
Financial assets				
Currency swaps	-	19	-	19
Financial liabilities				
Interest rate swaps	-	(296)	-	(296)
	-	(277)	-	(277)

13. RELATED PARTY TRANSACTIONS

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

14. RESTATEMENT OF PRIOR PERIOD INFORMATION

Acquisition of Orchid Pubs & Dining Limited and Midco 1 Limited

On 15 June 2014 the Group acquired all of the issued share capital in Orchid Pubs & Dining Limited and Midco 1 Limited. In accordance with IFRS 3, measurement period adjustments were made to provisional values, which resulted in a restatement of the deferred tax asset and the value of land and buildings acquired.

In addition, deferred consideration outstanding at 27 September 2014 was finalised. The result of these changes reduced the provisional goodwill from £9m to £nil.

The adjustments to the provisional amounts recognised during the measurement period are detailed in note 3.5 of the Annual Report and Accounts 2015;

As a result of the acquisition accounting being finalised, the Group has restated the comparative amounts in the balance sheet as follows:

	As reported at 11 April 2015 £m	Adjustments to provisional values £m	Restated £m
Goodwill and other intangible assets	18	(9)	9
Property, plant and equipment	4,273	(5)	4,268
Trade and other payables	(339)	1	(338)
Deferred tax asset	167	12	179
Deferred tax liability	(348)	1	(347)

INDEPENDENT REVIEW REPORT TO MITCHELLS & BUTLERS PLC

We have been engaged by the Company to review the condensed set of financial information in the half-yearly financial report for the 28 week period ended 9 April 2016 which comprises the Group condensed income statement, the Group condensed statement of comprehensive income, the Group condensed balance sheet, the Group condensed statement of changes in equity, the Group condensed cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 9 April 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
18 May 2016