23 November 2010

MITCHELLS & BUTLERS PLC

FINAL RESULTS

(For the year ended 25 September 2010)

Business Highlights

- Operating profit[1] up 7.3% to £322m
- Profit before tax[1] up 26.1% to £169m
- Net cash inflow of £303m in the year

- Retained Estate[2] like-for-like sales up 2.8% in the year
- Retained Estate like-for-like food and drink sales up 4.7% and 1.4% respectively
- Retained Estate operating profit of £285m up 14% with margin up 1.9% points to 17.0%

- Like-for-like sales in the Retained Estate up 3.7% in first 8 weeks of new financial year
- Like-for-like food sales in the Retained Estate up 6.9% in first 8 weeks

Financial Highlights

	FY 2010 £m	FY 2009 £m	% growth
Revenue	1,980	1,958	1.1
EBITDA[1]	449	428	4.9
Operating profit[1]	322	300	7.3
Profit before tax[1, 3]	169	134	26.1
Adjusted earnings per share[4]	29.7p	23.6p	25.8
Basic (loss) / earnings per share[5]	(20.6)p	1.0p	n/a

Commenting on the results, Adam Fowle, Chief Executive, said:

"We have delivered a very good set of results in challenging economic conditions with earnings per share up 26%. Excellent progress has been made against our strategic goal to turn Mitchells & Butlers into a food-led business by concentrating our industry leading brands on the informal eating-out market. This strategy continues to prove effective with 7% like-for-like food sales growth in the first eight weeks driven by customers trading up the menu. The Company now has a strong balance sheet which, coupled with our brands and resilient trading platform, underpins our confidence in the future."

Operational Performance

In FY 2010 total sales were up 1.1% to £1,980m. Total company food sales increased by 4.5% whilst drink sales were down 0.7%, held back as a result of the disposal of drinks-led pubs during the year. Operating profits increased by 7.3% to £322m which, with a lower interest charge from reduced debt levels, resulted in profit before tax of £169m and adjusted earnings per share of 29.7p. The movement between the adjusted earnings per share and basic loss per share of 20.6p is due to exceptional items of £205m, mainly relating to a reduction in property valuation.

Retained Estate

The successful disposal of the non-core assets enables the business to focus on the Retained Estate of nearly 1,600 sites which are well positioned within the attractive informal eating out

Notes:
1 EBITDA, operating profit and profit before tax are all stated before exceptional items and other adjustments
2 Retained Estate reflects the ongoing business and is stated after exceptional items and other adjustments. This excludes the major disposals of 333 non-core pubs (completed in FY 2011), lodges, Hollywood Bowl and a £4m non-recurring onerous lease provision.
3 After exceptional items and other adjustments, the loss before tax was £127m (FY 2009: £10m)
4 Adjusted earnings per share is stated as profit after tax before exceptional items and other adjustments, divided by the weighted average number of ordinary shares in issue
5 Basic earnings/(loss) per share is stated after deducting exceptional items and other adjustments after tax of £(205)m, FY 2009 £(92)m

market. Food is now 47% of sales and we estimate that around two thirds of total sales relate to a food occasion. Like-for-like sales were as follows:

	Retained Estate	
Like-for-like sales	Total 52 wks to 25 September	Current trading 8 wks to 20 November
Total	2.8%	3.7%
Food	4.7%	6.9%
Drink	1.4%	1.4%

Food like-for-like sales were up 4.7% with drink sales up 1.4%. Food volumes increased by 2.3% in the year. In addition, average food spend per head rose by 2.3% (excluding VAT) reflecting same dish prices in line with last year together with increasing spend from enhancing menu quality, selling additional courses and seeing a greater proportion of higher priced items being chosen. These improvements have been underpinned by our national advertising campaigns for Harvester, Toby and Sizzling Pub Co. which have been successfully attracting new customers into our sites. This sales result reflects an outperformance of the overall eating-out market by 7.2% points with the market declining by 2.5% across the whole financial year however returning to positive growth in the second half.*

In the most recent 8 weeks to 20 November like-for-like sales were up 3.7% continuing the underlying rate of growth experienced over the last 6 months.

The gross margin percentage was up 1.2% points driven largely by improvements in food gross margins from menu management, purchasing gains and reduced wastage. Further efficiencies in labour and overhead reductions were supported by energy cost deflation to offset increasing regulatory expenses and other inflationary costs. As a result, EBITDA in the Retained Estate was £391m with operating profits of £285m and operating margins up 1.9% points at 17.0%.

* Market source: NPD Crest

Capital Expenditure and Disposals

Capital expenditure was £138m in the year, including £28m on acquisitions and expansionary capital. The EBITDA return on expansionary capital spent over the last two years was over 30%. The purchase of 22 Ha Ha Bar & Grill sites for £19.5m was completed after the year end and these will be converted mainly into All Bar One and Browns.

Disposals raising £130m were completed during the financial year. Excluding the major disposals of Lodges and Bowls, the Company sold or exchanged contracts on 49 individual pubs at an EBITDA multiple of over 15 times. After the year end, 333 drinks-led non-core pubs were disposed to Stonegate Pub Company Limited for a net consideration of £363m. Including this transaction, around £500m of major disposals have been achieved since the strategy review in March.

Balance Sheet

The business continues to generate strong cash flow supported by disposals, leading to a net debt reduction of nearly £300m to £2.3bn. Drawings on the unsecured medium term facility were £258m at the year end, well below the current facility limit of £425m. Current net debt is now £2.0bn following receipt of cash proceeds from the Stonegate disposal which will be used to pay down the unsecured facility.

A Red Book valuation of our estate has been completed, in conjunction with our property valuers, lowering the overall property value by £235m, reflected by an exceptional charge to the income statement of £304m and a balance sheet revaluation credit of £69m. Excluding the 333 non-core pubs, the Retained Estate was decreased in value by 4%, primarily as a result of reduced valuation multiples on our larger, high profitability sites where there are no comparable multiples in the market. The valuation reflects a prudent position at this point in the economic cycle bearing in mind the growth in profitability during the year.

In March we highlighted that a regime of internal rents would be initiated to provide greater transparency both externally around the performance of the operating and property functions, and internally through the clear application of our differentiated hurdle rates for invested capital. As a result from the start of FY 2011, the business will charge an internal rent on each freehold and long leasehold site. The total internal rent charge will be about £190m representing around 40% of the aggregate pub level EBITDA of the freehold and long leasehold assets. There is no intention of legally separating the business into a property company and an operating company. Rent will rise each year to reflect the average of RPI and the relevant retail rent increases, in addition to any further capital invested. The methodology will be reviewed periodically to ensure it continues to reflect market conditions.

Dividends

As indicated in May, the Board is committed to a resumption of dividend payments. The Board will closely monitor the level of operating cash flow generation and capital investment opportunities for the business during 2011 before taking a decision on the timing and quantum of the resumption of dividend payments.

Outlook

The outlook for consumer spending remains uncertain in light of government spending cuts and the VAT increase in January. However, the strength of Mitchells & Butlers' brands, the effectiveness of its marketing platform, its operational capabilities and strong capex returns underpin the Board's confidence in the Company's prospects.

There will be a presentation for analysts and investors at 9.30am at the Merrill Lynch Financial Centre, 100 Newgate St, London EC1A 1H. A live webcast of the presentation will be available at www.mbplc.com. The conference will also be accessible by phone by dialling 0845 401 9097 or from outside the UK +44 (0) 203 037 9221, quote "Mitchells & Butlers", the replay will be available until 06/12/10 on 0208 196 1998 or from outside the UK +44 (0) 20 8196 1998 replay access pin 9876138#.

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

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Notes for editors:

- Mitchells & Butlers' leading portfolio of brands and formats includes Harvester, Toby Carvery, Vintage Inns, Premium Country Dining Group, Crown Carveries, Sizzling Pub Co., Browns, Miller & Carter, Metro Professionals, All Bar One, Nicholson's, O'Neill's and Ember Inns. Further details are available on www.mbplc.com.
- Like-for-like sales growth includes the sales performance against the comparable period in the prior year of all managed pubs that were trading in the two periods being compared. For the 8 weeks to 20 November 2010, 96% of the estate is included in this measure.

The Final Results announcement for the 52 week period ended 25 September 2010 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principal accounting policies applied in the preparation of this Final Results announcement are consistent with those described in the 2009 annual report and accounts available within the investors section of the Company's Web site: www.mbplc.com

Final Results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. They have, however, been extracted from the statutory accounts for the 52 week period ended 25 September 2010 on which an unqualified report which did not contain an emphasis of matter reference or a statement under section 498 (2) or (3) of Companies Act 2006 has been made by the Company's auditors.

The 2009 statutory accounts have been filed with Registrar of Companies. The 2010 statutory accounts will be sent to shareholders in due course and will be filed with Registrar of Companies, following their adoption at the forthcoming annual general meeting.

FINANCIAL REVIEW

Group Results

Total revenue of £1,980m was 1.1% higher than last year despite a slight dilution from the disposal of lodges and bowls made during the latter part of the year. Operating profit before exceptional items and other adjustments was £322m, up from £300m last year. The operating margin was 16.3%, up 1.0 percentage point against last year.

Like-for-like sales growth was 2.0% for the Company, with food and drink like-for-like sales up 4.5% and 0.5% respectively. By enhancing menu quality and improving the attractiveness of our offering, we have grown average like-for-like food spend per head by 2.1% excluding VAT whilst keeping overall same dish prices flat to last year. We continued to do this whilst also increasing the volume of main meals by 2.3%. Like-for-like drink prices were up 3.7% with volumes down 3.1%.

Other sales, including accommodation, bowling and machines, were down 2.2% on a like-for-like basis. Following the disposal of the lodges, bowls and non-core pubs, these items now represent only around 3% of the sales mix.

The gross margin percentage has improved by 1.0% point over the year due to improvements in the food margin from the management of menu items, cost of sales and reduced wastage. Cash gross margin was up 2.4% against last year, with food cash gross margin up almost 9% and drink cash gross margin flat.

The Company experienced higher regulatory costs as a result of increases in the National Minimum Wage, statutory holiday pay entitlements, alcohol duty, landfill tax and business rates. In addition, there were inflationary costs in food, drinks and distribution and a one off £4m non-cash charge incurred relating to onerous leases. These increases were partially offset by a significant year-on-year energy cost decrease and efficiencies in menu management, food purchasing gains, reduced wastage, overhead reduction and employment efficiencies. Staff productivity increased by 2.0% in the year, however employment as a percentage of sales increased slightly to 24.5% of sales.

There was a year-on-year reduction of around £2m of operating profit relating to the disposal of bowls, lodges and pubs.

During the year SCPD, a property development company with a small residual land bank, made revenues of £7m (FY09: £1m) and a loss of £2m (FY09: £0m).

At the end of the year, the business comprised 1,823 managed pubs and 86 leased or franchised businesses. Following the year end, 333 non-core pubs were sold to Stonegate Pub Company Limited.

To enable a clearer picture of the ongoing Mitchells & Butlers business, a pro-forma income statement for the estate excluding the 333 pubs, the disposed bowls & lodges, SCPD and the £4m non-recurring lease charge is shown below:

	Reported		Retained	
	£m	Growth	£m	Growth
Revenue	1,980	1.1%	1,680	1.8%
EBITDA	449	4.9%	391	9.8%
EBIT	322	7.3%	285	14.5%
EBIT margin	16.3%	1.0 ppts	17.0%	1.9 ppts

FY 2011 Internal Rent

In the strategy announcement in March we highlighted that a regime of internal rents would be initiated to provide greater transparency both externally around the performance of the operating and property functions, and internally, through the clear application of our differentiated hurdle rates for invested capital. In this respect, we engaged PricewaterhouseCoopers LLP to conduct a review of potential rent structures and to recommend the methodology of internal rents suitable for our business. There is no intention of legally separating the business into a property company and an operating company.

As a result, from the start of FY 2011 the business will charge an internal rent on each freehold and long leasehold site. The methodology will be reviewed periodically to ensure it continues to reflect market conditions. An illustrative P&L is given below based on the performance of the Retained Estate in FY 2010:

	Operating £m	Property £m	Total £m
Turnover	1,680		1,680
EBITDAR	425		425
Rent	(224)	190	(34)
EBITDA	201	190	391

Capital Expenditure and Disposals

Total capital expenditure in the year was £138m, which included £110m to maintain the high levels of amenity in the restaurants and pubs as well as the continuing evolution and development of our brands and formats. The remaining £28m related to acquisitions and expansionary capital. During the year, we completed or unconditionally exchanged contracts on 7 acquisitions and converted 54 sites to our expansion brands at an average conversion cost of around £350k.

In addition, the business announced the disposal of Hollywood Bowl and the majority of its lodge business. These disposals will deliver proceeds of at least £127m, with £93m received in the year. £37m was also realised through other individual disposals of drinks-led pubs.

Exceptional items and Other Adjustments

Exceptional items are separately disclosed in order to aid the readers' understanding of the Group's underlying trading. They generally represent items which do not form part of the core operations of the Group, or which are sufficiently large to warrant separate disclosure in order to facilitate comparisons with earlier trading periods. This category also includes certain non-cash fair value adjustments, which are prone to volatility as they are driven by movements in market values, including the net pensions finance charge. The Board focuses on performance measures which exclude these items in order to aid comparisons of underlying performance year on year.

Total exceptional items and other adjustments reduced profits by £296m (£205m after tax) and included a £304m charge relating to the valuation of the property portfolio, a £15m gain on asset disposals and a £7m pensions finance charge.

Finance Costs and Revenue

Finance costs during the year were £153m before exceptional items and other adjustments, £14m lower than the same period last year reflecting the decreasing levels of average debt in the business. No finance revenue was received in the year, £1m lower than the same period last year.

Mitchells & Butlers' securitisation structure contains a number of bonds with varying maturities and interest rates. On two of these bonds (Class A1N: £200m and Class A3N: $418.75m swapped to £250m), the Company has the ability to repay the bonds at par on 15 December 2010, or leave them in place until their final maturity dates, in which case the interest rate will rise from LIBOR+0.18% to LIBOR+0.45%. A decision will be taken before the next note payment date, although given current debt market conditions it is expected to be beneficial for the company to leave the bonds in place.

Taxation

The tax charge for the year was £48m before exceptional items. This is an effective rate of 28% of profit before tax which we expect to remain constant next year.

Earnings per Share

Earnings per share were 29.7p before exceptional items and other adjustments, an increase of 25.8%. After exceptional losses there was a loss per share of 20.6p.

Balance Sheet and Cash Flow

Net debt has reduced by £298m to £2.3bn at the year end. The ratio of net debt to EBITDA has fallen from 6.1 times at the start of the year to 5.1 times at year end. This excludes the proceeds from the disposal of the non-core pubs, which completed after year end. Currently, net debt is £2.0bn which, with the Retained Estate EBITDA of £391m, implies a net debt to EBITDA ratio of 5.0x.

The Group generated £457m of cash flow from operations before capital expenditure and after £32m of additional pension contributions. This includes working capital gains of £40m. The net capital outflow was £8m which comprised of £28m of expansionary capital, £110m of maintenance capital, £93m of disposal proceeds relating to the bowl and lodge disposals and £37m of other disposal proceeds.

Net interest paid of £147m was £13m lower than last year as a result of debt reduction. £3m was received from the exercise of share options and £6m was spent on share repurchases related to employee incentive plans. £12m was received in respect of a refund of VAT payments on machines income which, due to an appeal by HMRC, is provided for in full and therefore does not affect the income statement. Cash tax payments of £8m were made in the second half. In the current financial year, tax payments are expected to be around 15% of PBT. Net cash flow was £303m, compared to £141m last year.

The Group maintains an unsecured facility which expires in November 2011. At 25 September 2010 the value of the facility was £425m and drawings on it were £258m. The value of the facility drops to £338m after 31 December 2010.

At the year end, the Group had net debt of £2,302m, consisting of securitised net debt of £2,059m and unsecured net debt of £243m.

Treasury Management

The financial risks faced by the Group are identified and managed by a central Treasury department. The activities of the Treasury function are carried out in accordance with Board approved policies and are subject to regular audit. The department does not operate as a profit centre.

Pensions

During the year, agreement was reached with the pension schemes' Trustees in respect of the past service funding shortfall arising from the triennial actuarial valuation. Using the Trustee’s conservative valuation assumptions this resulted in a valuation deficit of £400m and, as a result, the Group has agreed to increase annual additional contributions from £24m to £40m. These payments form part of an agreed 10 year funding plan, although the funding levels and contribution requirements will be reviewed again at the next triennial valuation in 2013.

Following the year end, the Company and the pension schemes’ Trustees have agreed that the defined benefit section of the pension plan will cease future accruals for active employees from 13

March 2011. At this date, employees will automatically be transferred to the defined contribution section of the plan.

The pre-tax pension deficit on the balance sheet, using IAS19 valuation assumptions, increased to £199m (FY 2009: £130m). This is due to two main factors: first, a reduction in corporate bond yields and increasing life expectancy, despite strong investment returns; second, the irrecoverable element of the potential future pension surplus under IFRIC 14. Within this, the group has agreed a funding target for which the present value exceeds the IAS 19 liability, resulting in a liability of £56m (along with an associated deferred tax asset of £43m) representing the tax charge that would be suffered on repayment of any surplus at current tax rates. Net of all deferred tax, the pension liability in the balance sheet is £117m.

GROUP INCOME STATEMENT

For the 52 weeks ended 25 September 2010

	2010 52 weeks		2009 52 weeks	
	Before exceptional items and other adjustments £m	Total £m	Before exceptional items and other adjustments £m	Total £m
Revenue	1,980	1,980	1,958	1,958
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	(1,531)	(1,531)	(1,530)	(1,486)
Net profit/(loss) arising on property disposals	-	15	-	(8)
EBITDA[a]	449	464	428	464
Depreciation, amortisation and movements in the valuation of the property portfolio	(127)	(431)	(128)	(251)
Operating profit	322	33	300	213
Finance costs	(153)	(153)	(167)	(222)
Finance revenue	-	-	1	5
Net finance charge from pensions	-	(7)	-	(6)
Profit/(loss) before tax	169	(127)	134	(10)
Tax (expense)/credit	(48)	43	(38)	14
Profit/(loss) for the period attributable to equity holders of the parent	121	(84)	96	4
Earnings/(loss) per ordinary share				
Basic	29.7p	(20.6)p	23.6p	1.0p
Diluted	29.4p	(20.6)p	23.5p	1.0p

a. Earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio.

Exceptional items and other adjustments are explained and analysed in note 3.

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 25 September 2010

	2010 52 weeks £m	2009 52 weeks £m
(Loss)/profit for the period	(84)	4
Other comprehensive income:		
Unrealised gain on revaluation of the property portfolio	69	17
Actuarial losses on defined benefit pension schemes	(43)	(174)
Movement in irrecoverable element of potential future pension surplus	(13)	-
Exchange differences on translation of foreign operations	(1)	1
Cash flow hedges:		
- Losses arising during the period	(131)	(88)
- Less: reclassification adjustments for gains/(losses) included in profit or loss	47	(11)
Other comprehensive loss	(72)	(255)
Tax relating to items of other comprehensive loss	37	65
Other comprehensive loss after tax	(35)	(190)
Total comprehensive loss for the period attributable to owners of the parent	(119)	(186)

GROUP BALANCE SHEET
25 September 2010

	2010 £m	2009 £m
ASSETS		
Other intangible assets	1	1
Property, plant and equipment	3,693	4,461
Lease premiums	8	10
Deferred tax asset	149	87
Derivative financial instruments	11	6
Total non-current assets	3,862	4,565
Inventories	25	38
Trade and other receivables	65	40
Cash collateral deposits	-	2
Cash and cash equivalents	227	105
Total current assets	317	185
Assets held for sale	434	19
Total assets	4,613	4,769
LIABILITIES		
Borrowings	(136)	(59)
Derivative financial instruments	(47)	(50)
Trade and other payables	(302)	(270)
Current tax liabilities	(8)	(1)
Total current liabilities	(493)	(380)
Borrowings	(2,409)	(2,660)
Derivative financial instruments	(149)	(60)
Other payables	(12)	-
Pension liabilities	(199)	(130)
Deferred tax liabilities	(464)	(542)
Provisions	(6)	-
Total non-current liabilities	(3,239)	(3,392)
Total liabilities	(3,732)	(3,772)
Net assets attributable to owners of the parent	881	997
EQUITY		
Called up share capital	35	35
Share premium account	20	17
Capital redemption reserve	3	3
Revaluation reserve	747	703
Own shares held	(8)	(2)
Hedging reserve	(149)	(87)
Translation reserve	12	13
Retained earnings	221	315
Total equity	881	997

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 25 September 2010

	2010 52 weeks £m	2009 52 weeks £m
Cash flow from operations	457	426
Interest paid	(147)	(161)
Interest received	-	1
Tax (paid)/received	(8)	21
Exceptional interest on tax credits	-	4
VAT refund received including interest	12	-
Net cash from operating activities	314	291
Investing activities		
Purchases of property, plant and equipment	(136)	(128)
Purchases of intangibles (computer software)	(2)	(1)
Proceeds from sale of property, plant and equipment	111	31
Proceeds from disposal of assets held for sale	19	41
Transfers from cash collateral deposits	2	-
Net cash used in investing activities	(6)	(57)
Financing activities		
Issue of ordinary share capital	3	4
Purchase of own shares	(6)	-
Repayment of principal in respect of securitised debt	(46)	(45)
Repayment of principal in respect of other borrowings	(136)	(120)
Expenditure associated with refinancing	-	(2)
Derivative financial instruments closure costs	-	(95)
Net cash used in financing activities	(185)	(258)
Net increase/(decrease) in cash and cash equivalents	123	(24)
Cash and cash equivalents at the beginning of the financial period	105	129
Cash and cash equivalents at the end of the financial period[a]	228	105

a. Cash and cash equivalents at the end of the financial period of £228m (2009 £105m) comprise £227m (2009 £105m) cash and cash equivalents and £1m (2009 £nil) of cash and cash equivalents included within assets held for sale.

Cash and cash equivalents are defined in note 9.

GROUP STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 25 September 2010

	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 2008	34	14	3	697	(3)	(16)	12	434	**1,175**
Profit for the period	-	-	-	-	-	-	-	4	**4**
Other comprehensive income/(loss)	-	-	-	14	-	(71)	1	(134)	**(190)**
Total comprehensive income/(loss)	-	-	-	14	-	(71)	1	(130)	**(186)**
Share capital issued	1	3	-	-	-	-	-	-	**4**
Release of own shares	-	-	-	-	1	-	-	(1)	**-**
Credit in respect of share-based payments	-	-	-	-	-	-	-	3	**3**
Revaluation reserve realised on disposal of properties	-	-	-	(8)	-	-	-	8	**-**
Tax on share-based payments taken directly to equity	-	-	-	-	-	-	-	1	**1**
At 26 September 2009	35	17	3	703	(2)	(87)	13	315	**997**
Loss for the period	-	-	-	-	-	-	-	(84)	**(84)**
Other comprehensive income/(loss)	-	-	-	58	-	(62)	(1)	(30)	**(35)**
Total comprehensive income/(loss)	-	-	-	58	-	(62)	(1)	(114)	**(119)**
Share capital issued	-	3	-	-	-	-	-	-	**3**
Purchase of own shares	-	-	-	-	(6)	-	-	-	**(6)**
Credit in respect of share-based payments	-	-	-	-	-	-	-	4	**4**
Revaluation reserve realised on disposal of properties	-	-	-	(14)	-	-	-	14	**-**
Tax on share-based payments taken directly to equity	-	-	-	-	-	-	-	2	**2**
At 25 September 2010	35	20	3	747	(8)	(149)	12	221	**881**

1. **GENERAL INFORMATION**

Mitchells & Butlers plc, along with its subsidiaries, ('the Group') is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and in accordance with the Companies Act 2006. Accordingly, the information contained within this release has been prepared in accordance with IFRS.

The preliminary financial statements include the results of Mitchells & Butlers plc and all its subsidiaries for the 52 week period ended 25 September 2010. The comparative period is for the 52 week period ended 26 September 2009. The respective balance sheets have been drawn up to 25 September 2010 and 26 September 2009.

Exchange Rates

The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the financial period of £1 = €1.15 (2009 £1 = €1.15), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.17 (2009 £1 = €1.09) and £1 = $1.58 (2009 £1 = $1.60) respectively.

2. **SEGMENTAL ANALYSIS**

IFRS 8 has been adopted in these financial statements for the first time and requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker ("CODM"), which the Group regards to be the Executive Board. The adoption of IFRS 8 has resulted in a revision to the Group's reportable segments. In the second half of 2009 the Group consolidated its 'Pubs & Bars' and 'Restaurants' divisions into one pub restaurant business, which incorporates all of its managed UK pub restaurants which derive the majority of their revenues from food and beverage sales. The Group has identified its individual brands as its operating segments since key decisions are made at this level. However, since the relevant IFRS 8 aggregation criteria have been met due to the brands sharing common characteristics such as economic characteristics, similar product offerings and similar types of customers, they have been reported as one segment.

The Group has concluded that its Bowls and Lodge businesses, the majority of which have been sold during the period, also share sufficient characteristics to enable to be combined within one segment. Both the Group's German pub restaurant business and its property development business – Standard Commercial Property Developments Limited (SCPD) - do not meet, either individually or collectively, the quantitative thresholds to constitute reportable segments as defined by IFRS 8, nor do they meet a majority of the aggregated criteria as defined under IFRS 8. Instead of presenting these as 'all other segments' due to their non-material nature they have been combined within the pub restaurant segment and as a result only one segment has been disclosed below for the whole Group. The CODM uses operating profit before exceptional items and other adjustments, calculated in accordance with IFRS, as the key measure of the segment results of the reportable segment and the results below have been disclosed on this basis.

The Group reported on 24 March 2010 that in future it intends to assess the performance of its retail operating units after incorporating a rental charge and to review the results and position of the retail operating and property businesses independently. As this change was not reflected in the management reporting of the business during the period, the Group has not yet updated its segment disclosures to reflect this proposed change.

	2010 52 weeks £m	2009 52 weeks £m
Revenue		
Sales to third-parties	1,980	1,958
Operating profit		
Operating profit before depreciation, amortisation, exceptional items and other adjustments	449	428
Depreciation and amortisation	(127)	(128)
Operating profit before exceptional items and other adjustments	322	300
Exceptional items and other adjustments	(289)	(87)
Operating profit	33	213
Net finance costs	(160)	(223)
Tax credit	43	14
(Loss)/profit for the financial period	(84)	4

3. EXCEPTIONAL ITEMS AND OTHER ADJUSTMENTS

	Notes	2010 52 weeks £m	2009 52 weeks £m
Operating exceptional items			
Exceptional pension credit	a	-	44
Profits on disposal of properties		26	10
Losses on disposal of properties		(11)	(18)
Net profit/(loss) arising on property disposals		15	(8)
Movements in the valuation of the property portfolio			
- Impairment arising from the revaluation	b	(256)	(118)
- Other impairment	b	(23)	-
- Impairment arising on classification of assets held for sale	b	(25)	(5)
Total movements in the valuation of the property portfolio		(304)	(123)
Total operating exceptional items		(289)	(87)
Exceptional finance costs and revenue			
Total cost of derivative financial instruments closed out in the prior period	c	-	(95)
Less: amounts charged against profit in prior periods	c	-	40
Movement in fair value of derivative financial instruments closed out in the prior period	c	-	(55)
Exceptional interest on tax credits	d	-	4
Total exceptional finance costs		-	(51)
Net pensions finance charge	e	(7)	(6)
Other adjustments	e	(7)	(6)
Total exceptional items and other adjustments before tax		(296)	(144)
Tax credit relating to above items		77	36
Exceptional tax released in respect of prior years	d	9	16
Tax credit in respect of change in tax legislation	f	5	-
		91	52
Total exceptional items and other adjustments after tax		(205)	(92)

a. Relates to the impact of pension changes introduced in the prior period.

b. Movements in the valuation of the property portfolio includes £256m of write down arising from the Group's revaluation of its pub estate, £23m of other impairment on assets where their carrying values exceed their recoverable amount and £25m of impairment against assets transferred to non-current assets held for sale, where the expected net sale proceeds are less than the book value. Of the £25m of impairment, £18m relates to the 333 non-core pubs held in the disposal group.

c. Total cost of derivative financial instruments closed out in the prior period represents the total cost of terminating the derivative financial instruments in May 2009. Amounts charged against profit in prior periods are the movements in the values of these instruments charged to profit through exceptional finance costs. Deducting these gives the movement in the fair value of the derivatives closed out, charged against profit.

d. Represents the release of provisions relating to tax matters which have been settled principally relating to disposals. In addition £4m of interest arising on the settlement of prior year tax matters was received in the prior period.

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

f. A deferred tax credit has been recognised in the year following the enactment of legislation on 21 July 2010 which lowers the UK standard rate of corporation tax from 28% to 27% with effect from 1 April 2011.

4. FINANCE COSTS AND REVENUE

	2010 52 weeks £m	2009 52 weeks £m
Finance costs		
Securitised and other debt	(153)	(167)
Exceptional finance costs		
- movement in fair value of derivative financial instruments closed out in the prior period	-	(55)
	(153)	(222)
Finance revenue		
Interest receivable	-	1
Exceptional interest on tax credits	-	4
	-	5
Net finance charge in respect of pensions	(7)	(6)

5. TAX CREDIT

	2010 52 weeks £m	2009 52 weeks £m
Tax credited in the income statement		
Current tax:		
UK corporation tax	16	-
Amounts overprovided in previous years	(1)	(8)
Total current tax	15	(8)
Deferred tax:		
Origination and reversal of temporary differences	(45)	2
Adjustments in respect of prior years	(8)	(8)
Change in tax rate	(5)	-
Total deferred tax	(58)	(6)
Total tax credited in the income statement	(43)	(14)

	2010 52 weeks £m	2009 52 weeks £m
Tax relating to items recognised in equity		
Unrealised losses/(gains) due to revaluations	4	(12)
Actuarial losses on pension schemes	11	49
Cash flow hedges:		
- Losses arising during the period	36	25
- Less: reclassification adjustments for (losses)/gains included in profit or loss	(14)	3
Tax credit on items of other comprehensive loss	37	65
Tax on share-based payments recognised directly in equity	2	1
Total tax credit on items recognised in equity	39	66

6. EARNINGS PER SHARE

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

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

Adjusted earnings per ordinary share amounts are presented before exceptional items (see note 3) and the net pensions finance charge (see note 4), in order to allow a better understanding of the underlying trading performance of the Group.

	(Loss)/profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
52 weeks ended 25 September 2010:			
Loss for the period	(84)	(20.6)p	(20.6)p[a]
Exceptional items, net of tax	200	49.1 p	48.7 p
Net pensions finance charge, net of tax	5	1.2 p	1.2 p
Adjusted profit/EPS	121	29.7 p	29.4 p
52 weeks ended 26 September 2009:			
Profit for the period	4	1.0 p	1.0 p
Exceptional items, net of tax	88	21.7 p	21.6 p
Net pensions finance income, net of tax	4	0.9 p	0.9 p
Adjusted profit/EPS	96	23.6 p	23.5 p

a. The 2010 diluted EPS is unchanged from the basic EPS as the inclusion of the dilutive potential ordinary shares would reduce the loss per share and is therefore not dilutive in accordance with IAS 33 ‘Earnings per Share’.

7. CASH FLOW FROM OPERATIONS

	2010 52 weeks £m	2009 52 weeks £m
Operating profit	33	213
Add back: operating exceptional items	289	87
Operating profit before exceptional items	322	300
Add back:		
Depreciation of property, plant and equipment	124	124
Amortisation of intangibles (computer software)	2	3
Amortisation of lease premiums	1	1
Cost charged in respect of share-based payments	4	3
Defined benefit pension cost less regular cash contributions	(4)	(5)
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	449	426
Movements in working capital and pension contributions:		
Decrease in inventories	9	1
(Increase)/decrease in trade and other receivables	(4)	31
Increase/(decrease) in trade and other payables	29	(7)
Increase/(decrease) in provisions	6	(1)
Additional pension contributions (note 11)	(32)	(24)
Cash flow from operations	457	426

8. NET CASH FLOW

	2010 52 weeks £m	2009 52 weeks £m
Operating profit before exceptional items	322	300
Depreciation and amortisation	127	128
EBITDA before exceptional items[a]	449	428
Working capital movement	40	24
Other non-cash items	-	(2)
Additional pension contributions (note 11)	(32)	(24)
Cash flow from operations	457	426
Net capital expenditure[b]	(8)	(57)
Cash flow from operations after net capital	449	369
Interest paid	(147)	(161)
Interest received	-	1
Tax (paid)/received	(8)	21
Exceptional interest on tax credits	-	4
VAT refund received including interest	12	-
Issue of ordinary share capital	3	4
Purchase of own shares	(6)	-
Expenditure associated with refinancing	-	(2)
Derivative financial instruments closure costs	-	(95)
Net cash flow (note 10)	303	141

a. Earnings before interest, tax, depreciation, amortisation and exceptional items.
b. Comprises purchases of property, plant and equipment and intangibles less proceeds from the sale of property, plant and equipment.

9. ANALYSIS OF NET DEBT

	2010 £m	2008 £m
Cash and cash equivalents (see below)	228	105
Cash collateral deposits	-	2
Securitised debt	(2,289)	(2,331)
Other borrowings	(255)	(386)
Derivatives hedging balance sheet debt[a]	15	12
Finance leases	(1)	(2)
	(2,302)	(2,600)

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

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, including overnight deposits, of £226m (2009 £104m), cash deposits with an original maturity of three months or less of £1m (2009 £1m) and cash transferred to assets held for sale of £1m (2009 £nil).

Cash collateral deposits
Cash collateral deposits in the prior period represented monies held in escrow.

Securitised debt
On 13 November 2003, a group company, Mitchells & Butlers Finance plc, issued £1,900m of secured loan notes in connection with the securitisation of the majority of the Group's UK pubs and restaurants business owned by Mitchells & Butlers Retail Ltd. The funds raised were mainly used to repay existing bank borrowings of £1,243m, pay issue costs of £23m and return £501m to shareholders by way of a special dividend.

On 15 September 2006 Mitchells & Butlers Finance plc completed the issue of £655m of further secured loan notes in the form of the A4, AB, C2 and D1 loan notes as detailed below. These were issued under substantially the same terms as the original securitisation in November 2003. The funds raised were mainly used to return £486m to shareholders by way of a special dividend and to provide long-term funding for the Whitbread pub restaurant sites acquired. As part of the issue, the original A1 and A3 loan note tranches were repaid and reissued as A1N and A3N loan notes to take advantage of market rates.

10. MOVEMENT IN NET DEBT

	2010 52 weeks £m	2009 52 weeks £m
Net increase/(decrease) in cash and cash equivalents	123	(24)
Add back cash flows in respect of other components of net debt:		
Transfers from cash collateral deposits	(2)	-
Repayment of principal in respect of securitised debt	46	45
Repayment of principal in respect of other borrowings	136	120
Decrease in net debt arising from cash flows ('Net cash flow' note 8)	303	141
Capitalised debt issue costs net of accrued interest	(5)	(6)
Decrease in net debt	298	135
Opening net debt	(2,600)	(2,735)
Closing net debt	(2,302)	(2,600)

11. **PENSIONS**

Amounts recognised in the Group income statement in respect of the Group's defined benefit and defined contribution arrangements are as follows:

	2010 £m	2009 £m
Operating profit:		
Current service cost (defined benefit plans)	(8)	(10)
Current service cost (defined contribution plans)	(3)	(2)
Exceptional pension credit (note 3)	-	44
(Charge)/credit to operating profit	(11)	32
Finance income:		
Expected return on pension scheme assets	69	73
Interest on pension scheme liabilities	(76)	(79)
Net finance charge in respect of pensions (note 4)	(7)	(6)
Total (charge)/credit	(18)	26

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

	2010 £m	2009 £m
Equities	464	467
Bonds	935	800
Property	6	13
Fair value of assets	1,405	1,280
Present value of scheme liabilities	(1,548)	(1,410)
Deficit in the schemes recognised as a liability in the balance sheet	(143)	(130)
Irrecoverable element of potential future pension surplus [a]	(56)	-
Net liability	(199)	(130)
Associated deferred tax asset		
Deferred tax relating to IAS 19 valuation	39	36
Deferred tax on irrecoverable element of potential future pension surplus [a]	43	-
	82	36

a. The irrecoverable element of potential future pension surplus represents the impact of IFRIC14. During the period the Group has agreed a 10 year deficit funding plan with the Trustees, for which the present value of the future agreed funding payments exceeds the IAS19 liability in respect of the schemes. This would, when paid, give rise to a surplus as measured under IFRS and therefore a provision is recognised for any part of the surplus that would not be recoverable. Any surplus ultimately repaid by the Trustees would currently be subject to a 35% tax charge deducted at source. Consequently, a liability for £(56)m is recognised at the balance sheet date along with the associated deferred tax asset of £43m with the net of these being a £13m decrease in the Group statement of comprehensive income.

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

	Net deficit	
	2010 £m	2009 £m
At beginning of period	(130)	(23)
Current service cost	(8)	(10)
Exceptional pension credit (see note 3)	-	44
Interest cost on benefit obligations	(76)	(79)
Expected return on plan assets	69	73
Contributions	45	39
Actuarial loss recognised	(43)	(174)
At end of period	(143)	(130)

12. **FINANCIAL STATEMENTS**

This preliminary statement of results was approved by the Board of Directors on 22 November 2010. It does not constitute the Group's statutory financial statements for the 52 weeks ended 25 September 2010 or for the 52 weeks ended 26 September 2009. The financial information is derived from the statutory financial statements of the Group for the 52 weeks ended 25 September 2010. The auditors, Ernst & Young LLP, have reported on those financial statements and given an unqualified report under Section 235 of the Companies Act. The 2010 financial statements will be delivered to the Registrar of Companies in due course.

13. **REVALUATION**

The majority of the Group's freehold and long leasehold land and buildings were valued at market value, as at 25 September 2010 and 26 September 2009 by Colliers CRE plc, independent chartered surveyors and by Andrew Cox MRICS, Director of Property, Chartered Surveyor.

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