MITCHELLS & BUTLERS PLC

22 May 2014

HALF YEAR RESULTS

(For the 28 weeks ended 12 April 2014)

Return to food volume growth underpins successful first half

Statutory results

- Profit before tax: £68m (H1 2013: £68m)
- Basic earnings per share: 12.9p (H1 2013: 13.4p)

Financial performance

- Total revenue of £1,016m, up 2.5%
- Like-for-like sales growth of 1.1%[a]
- Adjusted operating profit of £147m[b], up 2.1%
- Adjusted earnings per share of 14.6p[b], up 1.4%
- Net cash flow of £43m[c]

Balance sheet and cash flow

- Agreement reached with Trustees on 2013 pensions valuation. Deficit increased to £572m as at March 2013; annual contribution increased to £45m (previously £40m per annum)
- Capital expenditure increased to £86m (H1 2013: £59m), including 11 new site openings and 4 conversions
- Net debt of £1.7bn representing 4.1 times annualised EBITDA[d]

Operational performance

- Turnaround in volume performance: like-for-like food volume growth (H1 2014:+0.2%, H1 2013: -4.7%), drink volume stabilising (H1 2014:-0.3%, H1 2013: -6.0%)
- Operating margin maintained at 14.5%[e]
- EBITDA returns of 16% achieved on expansionary capex invested since FY 2011[f]
- Staff turnover at historical low of 78% and net promoter score growing strongly to 63%

Alistair Darby, Chief Executive, commented:

"We are pleased with our trading performance in this first half, particularly the turnaround in volumes, alongside which we have made good progress against our key priorities, and continued to position Mitchells & Butlers for sustainable long-term future growth.

Successful resolution of the recent triennial pensions valuation, which we are announcing today, provides greater visibility and certainty over future funding and cash flow, at an affordable level.

Our business transformation is gaining momentum. Through our clearly laid-out strategy, we are well-placed to take advantage of the economic recovery across the UK."

Definitions

a – Like-for-like sales growth includes the sales performance against the comparable period in the prior year of all UK managed pubs that were trading in the two periods being compared. For the 28 weeks to 12 April 2014, 97% of the UK managed estate is included in this measure.
b – Adjusted items are quoted before exceptional items and other adjustments as noted in the Group Income Statement.
c – Net cash flow excludes £28m mandatory bond amortisation and £148m which the Group was obliged to draw down from a liquidity facility under the terms of the securitisation. Net cash flow is detailed within the Financial Review.
d – Adjusted EBITDA for the 52 weeks to 12 April 2014.
e – Operating margin is taken before exceptional items and other adjustments and is compared to H1 2013.
f – Growth in annualised site EBITDA, expressed as a percentage of expansionary capital.

There will be a presentation 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: 020 3059 8125 and quote "Mitchells & Butlers". The replay will be available until 4 June 2014 on 0121 260 4861 replay access pin 4751710#.

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

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Notes for editors:

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

- Mitchells & Butlers serves around 130 million meals and 410 million drinks each year and is one of the largest operators within the UK's £75 billion eating and drinking out market.

BUSINESS REVIEW

We are the UK's largest operator of managed restaurants and pubs, with a leading portfolio of well-recognised brands and a high quality freehold estate. We focus on long-term growth in the eating-out market, a focus that has yielded a 48% increase in food sales since 2007. Around three-quarters of our turnover is generated from the guests eating out in our restaurants and pubs.

We are a strong and resilient business:

- we own and operate around 1,600 of the highest quality managed houses in the country, across a wide geographic distribution;
- we have a number of the nation's most popular restaurant and pub brands;
- we employ 40,000 dedicated and hard-working people;
- we have an asset base of £3.9bn; with 83% of sites owned on a freehold and long leasehold basis;
- we have significant scale at the corporate, brand and unit levels; and
- we have long-term, fixed rate debt financing with secure asset backing.

These strengths represent a solid foundation on which to build. We are well positioned to grow as the UK economy enters a period of recovery which we expect to come from all geographic regions.

In line with the business transformation plan previously outlined by the Company, we remain fully focused on our business priorities; our people, our practices, our guests and our profits. We believe that if we develop, retain and recruit exceptional people to operate scale brands and formats in which our guests love to eat and drink, then we will achieve market leadership and deliver sustainable growth in shareholder value.

The market, brand positioning and expansion opportunities

We generate annual sales of approximately £1.9bn from a wide range of scale brands and formats, serving guests across the economic spectrum and across a broad range of occasions, from a casual meeting with friends to special occasion dining. Our market is highly fragmented, offering substantial opportunities for growth through market share gains.

Our 'five-star approach' to the market optimises our growth potential by focusing on five substantial 'market spaces', covering around half of the total market size. Three of the sectors, Upmarket Social, Special and Family, which include brands such as Miller & Carter, Harvester, Toby Carvery and All Bar One, are together worth £35bn per annum and benefit from the most attractive consumer trends. We invest in these areas and expand our brands where possible. The Everyday Social space, including brands such as Ember Inns, is worth £2bn. Here we optimise and invest in our brands to grow like-for-like sales and profits. In the Heartland space, worth £4bn and including brands such as Sizzling Pubs, we protect our position and compete to maximise cash generation, which is critical to fund overall business growth.

Business transformation plan

We have made further progress with our business transformation plan, now in its second full year, which places people and guests at the heart of our organisation. The first phase saw the restructuring of our central functions, the removal of unnecessary bureaucracy, and the start of major upgrades to our IT infrastructure. We continue to build on these foundations and are undertaking a more wide-ranging change programme, aimed at focusing the business on four priority areas: our people, our practices, our guests, and our profits.

Our people:

In an environment where unemployment is falling and a highly skilled workforce is critical to our ongoing success, our focus remains on the recruitment, induction, engagement, and retention of our people. Highly engaged people stay with us for longer, become more efficient, provide better service to our guests and in turn drive like-for-like sales. Retail staff turnover is therefore considered to be a key measure of success. We have shown good progress on this in the past year and it remains an area of focus for us.

Key activity in H1:

- Retail staff turnover was at a historical low of 78%, a fall of 4%pts since the start of the transformation plan
- Implementation of a centralised recruitment project for retail teams, aimed at utilising our scale to recruit collectively and improve team member engagement. This project started in London, where we have seen staff turnover fall, and is now being implemented in cities where we have a strong presence
- Investment in the time spent inducting every retail team member who is new to our business, further driving staff engagement and enhanced interaction with our guests
- Further investment in apprenticeships. We currently have more than 1,500 apprentices and in March pledged to recruit an additional 1,000 in the next two years

Our practices:

Practices refer to the professional, safe and efficient way that we run our operations. We continue to improve our already high scores in the FSA's Food Hygiene Ratings ('Scores on the Doors') by targeting four stars as a minimum acceptable rating whilst focusing our teams on achieving five.

Key activity in H1:

- Further improvements seen in FSA Food Hygiene Ratings, from an already high base. This is a measure which we know is of critical importance to our guests, and therefore we continue to drive performance in this area
- Having started in June 2013, new pub systems are now installed and live in more than 750 pubs, with rollout to be completed during FY 2015. The introduction of handheld order pads and kitchen management systems have enabled us to speed up guest service, thus driving net promoter score
- Investment in back of house systems reducing administration and freeing up time for the General Manager and Area Manager to grow the business

Our guests:

We continue to invest in guest service, aiming to grow our sales and profits through delivering consistently excellent guest experiences, leading to increased revisits and recommendation. The best measure of how well we are delighting our guests is whether they are likely to recommend our restaurants and pubs (net promoter score). Our philosophy is supported by 'Good to Great', our long-term programme to enable and empower general management and teams to deliver great guest service.

Key activity in H1:

- Further strong improvements seen in our 'net promoter score'[a] to 63% (FY 2013: 59%)
- Continued evolution of long-term 'Good to Great' programme across the business
- Significant food and drink innovation informed by guest research

Our profits:

A detailed review of our profit performance is provided in the next section. The return to positive food volume growth in H1, which underpins our increasing sales, is an initial sign of the success of our focus on enhancing guest experiences at affordable prices.

We expect to deliver around 35 new site acquisitions and conversions this financial year, consistent with our 'five star approach' to the market.

Key activity in H1:

- Consistent financial performance during business transformation, generating like-for-like sales growth of 1.1% and adjusted earnings per share growth of 1.4%
- Increased food sales supported by return to growth in like-for-like food volumes [b]
- Increase in site acquisitions and conversions to 15 in H1 2014 (H1 2013: 10), primarily in the Upmarket Social, Special and Family segments, alongside an accelerated remodel programme

Outlook

We are encouraged by the economic recovery that is developing across the UK. Against this backdrop, our business transformation is gaining momentum. We have a clear strategy for the long term development of the business, which is founded on well defined operational priorities. We are confident that we will make further progress against our key performance indicators and that we are well positioned for profitable future growth.

Notes

a – We ask our guests how likely they are to recommend our restaurants and pubs us to their friends, families and colleagues, scored out of 10. Each year we obtain over 700,000 responses. Net promoter score is defined as the percentage of responses where we score 9 or 10 out of 10 ('brand promoters') less the percentage of responses where we score 0 to 6 out of 10 ('brand detractors'). Responses scoring 7 or 8 ('passives') are ignored in the calculation.

b – Number of main meals sold

FINANCIAL REVIEW

On a statutory basis, profit before tax for the period was £68m (H1 2013: £68m), on sales of £1,016m (H1 2013: £991m).

The Group discloses adjusted profit and earnings per share information that excludes exceptional items and other adjustments to allow a better understanding of the underlying trading of the Group. Adjusted earnings per share increased in the first half by 1.4%.

At the end of the first half, the total estate comprised 1,592 managed businesses and 59 franchised businesses in the UK and Germany.

Revenue

The Group's total revenues increased by 2.5% to £1,016m, as a result of growth in like-for-like sales as well as the contribution from new pubs and restaurants. Food sales increased by 2.7% and drink sales by 2.2%.

Total like-for-like sales increased by 1.1%, with growth from both food and drink sales. Whilst both food and drink sales were supported by price increases, food sales returned to volume growth of 0.2%[a] in the first half. Drink volumes declined by 0.3%[b].

The like-for-like sales increase slowed in the latter part of the period, although the comparison in this period was impacted by Easter falling in the first half of last year.

Like-for-like sales growth	Trading to IMS 17 weeks to 25 January 2014	Since IMS 11 weeks to 12 April 2014	Total 28 weeks to 12 April 2014	Total 33 weeks to 17 May 2014
Total	2.0%	(0.3%)	1.1%	1.2%
Food	2.5%	(1.5%)	0.9%	1.1%
Drink	1.3%	1.2%	1.3%	1.3%

Since the end of the first half, like for like sales, including Easter, have increased by 1.5%, bringing growth over the first 33 weeks (to 17 May 2014) to 1.2%.

Operating profit

Adjusted operating profit increased by 2.1% to £147m, reflecting a stable operating margin at 14.5%. The period benefited from sales growth and a marginally lower depreciation charge. These were partly offset by an additional £4m investment on IT infrastructure projects.

The Company opened 22 sites during FY 2013, which contributed £2m to operating profit growth in the first half. New site acquisitions and conversions in FY 2014 have had a slightly dilutive profit impact, due to opening costs.

Internal rent

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

	Operating		Property		Total	
	£m	vs LY%	£m	Vs LY%	£m	vs LY%
Revenue	1,016	2.5%			1,016	2.5%
EBITDAR	233	0.9%			233	0.9%
External Rent	(29)				(29)	
Internal Rent	(105)		105		0	
EBITDA	99	(1.0%)	105	1.0%	204	0.0%
EBITDA %	9.7%	(0.4 ppts)			20.1%	(0.5ppts)

Interest

The interest charge for the first half comprises three main elements: a finance cost of £71m relating to interest paid on the Company's securitised debt; finance income of £1m relating to cash deposit balances; and the net finance charge from pensions under IAS 19 (revised) of £5m. Further detail is provided in note 3.

Taxation

The estimated annual effective tax rate is 22%. The effective rate for the prior year (20%) was reduced by £2.5m of non-recurring historical tax credits.

Exceptional items and other non-cash adjustments

Exceptional items and other adjustments comprise a short lease impairment charge (£4m), the net finance charge for pensions referred to above (£5m), together with the associated tax credit (£2m).

Earnings per share

Adjusted earnings per share were 14.6p, 1.4% higher than last year. Basic earnings per share were 12.9p (H1 2013: 13.4p). Further detail is provided in note 6.

Cash flow and net debt

The cash flow statement below excludes £148m drawn from a liquidity facility under the terms of the securitisation. These funds are charged under the securitisation and are not available for use in the wider Group. Further detail is provided in note 9.

	H1 2014	H1 2013
	£m	£m
EBITDA before exceptional items	**204**	204
Working capital movement / non-cash items	**25**	22
Pension deficit contributions	**(20)**	(20)
Cash flow from operations before exceptional items	**209**	**206**
Maintenance and infrastructure capex	**(58)**	(48)
Interest	**(65)**	(63)
Tax	**(16)**	(13)
Free cash flow before exceptional items	**70**	**82**
Expansionary capex	**(28)**	(11)
Disposals	**2**	0
Operating exceptionals and other	**(1)**	(1)
Net cash flow	**43**	**70**
Mandatory bond amortisation	**(28)**	(27)
Net cash flow after bond amortisation	**15**	**43**

The business generated £204m of EBITDA in the first half, in line with last year. The working capital movement was largely driven by a reduction in trade receivables. Pension deficit contributions of £20m continued, in line with the deficit recovery plan agreed with the Trustees following the 2010 triennial valuation of the schemes. Cash flow from operations was £209m, £3m higher than last year.

Capital expenditure on maintenance, infrastructure and expansion increased from the low levels last year to £86m (H1 2013: £59m), resulting in a decrease in net cash flows to £43m (H1 2013: £70m). Net debt reduced to £1,721m, representing 4.1 times annualised EBITDA (FY 2013: 4.2 times EBITDA).

Net debt within the securitisation was £2,002m and cash and cash equivalents held outside the securitisation were £281m.

Capital expenditure

Total capital expenditure in the first half was £86m, £27m higher than the prior year. Of this amount, £58m was spent on maintenance and infrastructure projects. This includes a significant IT project to upgrade all pub and restaurant EPOS systems. The project rollout is due to be completed during FY 2015. The expected total cost of the project is £33m, of which approximately two thirds will be capital. Other ongoing infrastructure projects include upgrades to key head office HR and Finance systems.

The blended EBITDA return on expansionary capital since FY 2011 was 16% (FY 2013: 17%). Given the varying nature of freehold acquisitions, leasehold acquisitions and conversions, the business reviews returns by category:

	H1 2014 Capex[c]	H1 2014 No. of sites	FY 2011 - 2014 EBITDA ROI
Freehold acquisitions	£23m	6	14%
Leasehold acquisitions	£5m	5	18%
Conversions	£1m	4	17%
Total expansionary investment	£29m	15	16%

Pensions

The Company has now reached agreement on the triennial valuation of the group pension schemes as at 31 March 2013. Due principally to lower real gilt rates and an increase in assumed longevity the funding shortfall as at the valuation date has increased to £572m (March 2010 valuation: £400m). The following arrangements and recovery plan have been agreed to address the shortfall:

- The Company has provided a PPF compliant parent company guarantee and will put in place a negative pledge, in favour of the schemes, over net assets outside of the existing securitisation arrangements
- The existing recovery plan will be extended by three years to March 2023, and comprise an increase in annual contributions to £45m (previously £40m). Annual contributions will be fixed in nominal terms for the first three years and indexed to RPI thereafter
- The Company will accelerate funding by making further contributions totalling £40m by 30 September 2015 on terms to be agreed with the Trustees
- Normal dividends may be resumed by the Company provided they are initially funded out of cashflow after bond amortisation and future increases are limited to the higher of the rate of RPI indexation and the annual increase in Group adjusted EPS

IAS 19 Employee Benefits (revised) was adopted on 29 September 2013 and has been applied retrospectively in accordance with the transition provisions.

The new standard replaces the interest charge on defined benefit obligations and the expected return on plan assets with a single net interest cost that is calculated by applying the discount rate to the net pension surplus or deficit at the beginning of the period, inclusive of any minimum funding requirement. In addition, the administration costs of the pension scheme, previously charged against the expected return on plan assets, are now charged within operating costs.

The impact of IAS 19 (revised) has been to reduce profit before tax by £4m for the 28 weeks to 13 April 2013; and by £8m for the 52 weeks ended 28 September 2013.

Dividends

Following agreement of the 2013 triennial pensions valuation and related recovery plan, the Board will assess a return to paying dividends in light of the full year trading and cashflow generation.

Responsibility statement

We confirm to the best of our knowledge that this condensed set of financial information, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

This responsibility statement was approved by the Board of Directors on 21 May 2014 and is signed on its behalf by Tim Jones, Finance Director.

Notes

a – Number of main meals sold
b – Number of drinks sold
c - H1 2014 investments comprise expansionary capital specifically invested in respect of H1 2014 new site acquisitions and conversions

GROUP CONDENSED INCOME STATEMENT
for the 28 weeks ended 12 April 2014

	2014 28 weeks (Unaudited)		2013 28 weeks restated* (Unaudited)		2013 52 weeks restated** (Audited)	
	Before exceptional items and other adjustments[a] £m	**Total £m**	Before exceptional items and other adjustments[a] £m	Total £m	Before exceptional items and other adjustments[a] £m	Total £m
Revenue (note 2)	**1,016**	**1,016**	991	991	1,895	1,895
Operating costs before depreciation, amortisation, movements in the valuation of the property portfolio and impairment of goodwill	**(812)**	**(812)**	(787)	(787)	(1,475)	(1,475)
EBITDA[b]	**204**	**204**	204	204	420	420
Depreciation, amortisation, movements in the valuation of the property portfolio and impairment of goodwill	**(57)**	**(61)**	(60)	(60)	(110)	(139)
Operating profit	**147**	**143**	144	144	310	281
Finance costs (note 4)	**(71)**	**(71)**	(71)	(71)	(130)	(130)
Finance revenue (note 4)	**1**	**1**	1	1	2	2
Net pensions finance charge (note 4)	**-**	**(5)**	-	(6)	-	(11)
Profit before tax	**77**	**68**	74	68	182	142
Tax expense (note 5)	**(17)**	**(15)**	(15)	(13)	(41)	(14)
Profit for the period	**60**	**53**	59	55	141	128
Earnings per ordinary share (note 6):						
Basic	**14.6p**	**12.9p**	14.4p	13.4p	34.4p	31.2p
Diluted	**14.5p**	**12.8p**	14.4p	13.4p	34.2p	31.1p

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

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

All results relate to continuing operations.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the 28 weeks ended 12 April 2014

	2014 28 weeks £m (Unaudited)	2013 28 weeks restated* £m (Unaudited)	2013 52 weeks restated** £m (Audited)
Profit for the period	**53**	55	128
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of the property portfolio	**-**	-	60
Remeasurement of pension liability (note 11)	**(2)**	(1)	-
Tax relating to items not reclassified (note 5)	**4**	5	16
	2	4	76
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**-**	1	1
Cash flow hedges:			
- (Losses)/gains arising during the period	**(27)**	(6)	53
- Reclassification adjustments for losses included in profit or loss	**31**	11	47
Tax relating to items that may be reclassified (note 5)	**(1)**	(1)	(30)
	3	5	71
Other comprehensive income after tax	**5**	9	147
Total comprehensive income for the period	**58**	64	275

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

GROUP CONDENSED BALANCE SHEET

12 April 2014

ASSETS	**2014 12 April £m (Unaudited)**	2013 13 April restated* £m (Unaudited)	2013 28 September £m (Audited)
Goodwill and other intangible assets (note 7)	**5**	5	5
Property, plant and equipment (note 7)	**3,919**	3,848	3,895
Lease premiums	**1**	1	2
Deferred tax asset	**103**	146	105
Derivative financial instruments	**-**	16	5
Total non-current assets	**4,028**	4,016	4,012
Inventories	**26**	26	24
Trade and other receivables	**46**	73	72
Other cash deposits (note 9)	**25**	25	25
Cash and cash equivalents (note 9)	**503**	354	340
Total current assets	**600**	478	461
Total assets	**4,628**	4,494	4,473
LIABILITIES			
Pension liabilities (note 11)	**(40)**	(40)	(40)
Trade and other payables	**(273)**	(300)	(263)
Current tax liabilities	**(17)**	(18)	(17)
Borrowings (note 9)	**(207)**	(56)	(57)
Derivative financial instruments	**(45)**	(47)	(46)
Total current liabilities	**(582)**	(461)	(423)
Pension liabilities (note 11)	**(196)**	(224)	(208)
Other payables	**-**	(12)	(12)
Borrowings (note 9)	**(2,042)**	(2,121)	(2,075)
Derivative financial instruments	**(181)**	(275)	(182)
Deferred tax liabilities	**(337)**	(384)	(345)
Long-term provisions	**(12)**	(10)	(9)
Total non-current liabilities	**(2,768)**	(3,026)	(2,831)
Total liabilities	**(3,350)**	(3,487)	(3,254)
Net assets	**1,278**	1,007	1,219
EQUITY			
Called up share capital	**35**	35	35
Share premium account	**24**	23	23
Capital redemption reserve	**3**	3	3
Revaluation reserve	**869**	793	869
Own shares held	**(5)**	(3)	(4)
Hedging reserve	**(184)**	(253)	(187)
Translation reserve	**12**	12	12
Retained earnings	**524**	397	468
Total equity	**1,278**	1,007	1,219

***** Restated for movement in pension liability recognised due to minimum funding requirements (see note 15).

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 12 April 2014

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Own shares held £m	Hedging reserve £m	Translation of foreign operations £m	Retained earnings £m	**Total equity £m**
At 29 September 2012 (Audited)	**35**	**21**	**3**	**793**	**(3)**	**(257)**	**11**	**340**	**943**
Profit for the period*	-	-	-	-	-	-	-	55	**55**
Other comprehensive income/(expense)*	-	-	-	-	-	4	1	4	**9**
Total comprehensive income/(expense)	-	-	-	-	-	4	1	59	**64**
Share capital issued	-	2	-	-	-	-	-	-	**2**
Purchase of own shares	-	-	-	-	(2)	-	-	-	**(2)**
Release of own shares	-	-	-	-	2	-	-	(2)	**-**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Tax on share-based payments	-	-	-	-	-	-	-	(1)	**(1)**
At 13 April 2013 (restated*) (Unaudited)	**35**	**23**	**3**	**793**	**(3)**	**(253)**	**12**	**397**	**1,007**
Profit for the period*	-	-	-	-	-	-	-	73	**73**
Other comprehensive income/(expense)*	-	-	-	76	-	66	-	(4)	**138**
Total comprehensive income/(expense)	-	-	-	76	-	66	-	69	**211**
Purchase of own shares	-	-	-	-	(3)	-	-	-	**(3)**
Release of own shares	-	-	-	-	2	-	-	-	**2**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Tax on share-based payments	-	-	-	-	-	-	-	1	**1**
At 28 September 2013 (Audited)	**35**	**23**	**3**	**869**	**(4)**	**(187)**	**12**	**468**	**1,219**
Profit for the period	-	-	-	-	-	-	-	53	**53**
Other comprehensive income/(expense)	-	-	-		-	3	-	2	**5**
Total comprehensive income/(expense)	-	-	-	-	-	3	-	55	**58**
Share capital issued	-	1	-	-	-	-	-	-	**1**
Purchase of own shares	-	-	-	-	(2)	-	-	-	**(2)**
Release of own shares	-	-	-	-	1	-	-	(1)	**-**
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	**1**
Tax on share-based payments	-	-	-	-	-	-	-	1	**1**
At 12 April 2014 (Unaudited)	**35**	**24**	**3**	**869**	**(5)**	**(184)**	**12**	**524**	**1,278**

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised) (see note 15).

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 12 April 2014

	2014 28 weeks £m (Unaudited)	2013 28 weeks £m (Unaudited)	2013 52 weeks £m (Audited)
Cash flow from operations (note 8)	**209**	206	371
Cash flow from operating exceptional items	**-**	(1)	(2)
Interest paid	**(66)**	(64)	(128)
Interest received	**1**	1	2
Tax paid	**(16)**	(13)	(31)
Net cash from operating activities	**128**	129	212
Investing activities			
Purchases of property, plant and equipment	**(85)**	(59)	(126)
Purchases of intangibles (computer software)	**(1)**	-	(1)
Payment of lease premium	**-**	-	(1)
Proceeds from sale of property, plant and equipment	**2**	-	1
Net cash used in investing activities	**(84)**	(59)	(127)
Financing activities			
Issue of ordinary share capital	**1**	2	2
Purchase of own shares	**(2)**	(2)	(5)
Proceeds on release of own shares	**-**	-	2
Repayment of principal in respect of securitised debt	**(28)**	(27)	(55)
Drawings under liquidity facility	**148**	-	-
Net cash from/(used in) financing activities	**119**	(27)	(56)
Net increase in cash and cash equivalents (note 10)	**163**	43	29
Cash and cash equivalents at the beginning of the financial period	**340**	311	311
Cash and cash equivalents at the end of the financial period	**503**	354	340

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 interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The financial information for the 52 weeks ended 28 September 2013 is extracted from the audited accounts for that period, which have been delivered to the Registrar of Companies and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The auditor's report on these accounts was unqualified, did not include an emphasis of matter paragraph and did not contain any statement 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 2013.

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2013, with the exception of changes following the adoption of the following standards/amendments:

IAS 19 Employee Benefits (revised)
IAS 19 (revised) was adopted on 29 September 2013 and has been applied retrospectively in accordance with the transition provisions.

The new standard replaces the interest charge on defined benefit obligations and the expected return on plan assets with a single net interest cost that is calculated by applying the discount rate to the net pension surplus or deficit at the beginning of the period, inclusive of any minimum funding requirement. In addition, the administration costs of the pension scheme, previously charged against the expected return on plan assets, are now charged within operating costs.

The impact of IAS19 (revised) has been to reduce profit before tax by £4m for the 28 weeks to 13 April 2013; and £8m reduction for the 52 weeks ended 28 September 2013.

Restatement in relation to IFRIC 14 and minimum funding requirements
Following recent guidance from the Financial Reporting Review Panel (FRRP) regarding the treatment of a schedule of contributions in relation to a minimum funding requirement under IFRIC 14, the Group now includes the schedule of contributions within the overall pension liability recorded at the period end. This guidance was applied in the Annual Report and Accounts for the 52 weeks ended 28 September 2013. The comparative amounts in the balance sheet and statement of comprehensive income for the 28 weeks ended 13 April 2013 have therefore been restated which has the impact of increasing the pension liability by £164m and increasing the deferred tax asset by £38m.

Further details of the restatements are shown in note 15. Basic and diluted earnings per share have been impacted and restated accordingly in note 6.

IFRS 13 Fair Value Measurement
IFRS 13 has been applied prospectively from the period beginning 29 September 2013. The standard provides a definition of fair value, sets out a framework for measuring fair value and requires disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The additional disclosures resulting from the introduction of IFRS 13 are provided in note 12.

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 and other adjustments including the related tax on these items. 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, impairment review of short leasehold and unlicensed properties and restructuring costs. Other adjustments excluded from adjusted profit and earnings per share comprise the IAS 19 (revised) net pensions finance charge which can be volatile, as it is calculated with reference to long-term interest rates and represents a non-cash charge. Further information is available in the Annual Report and Accounts 2013 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		
	2014 28 wks £m	2013 28 wks restated* £m	2013 52 wks restated* £m	**2014 28 wks £m**	2013 28 wks £m	2013 52 wks £m	**2014 28 wks £m**	2013 28 wks restated* £m	2013 52 wks restated** £m
Revenue[a]	**1,016**	991	1,895	**-**	-	-	**1,016**	991	1,895
EBITDA pre exceptionals	**99**	100	228	**105[b]**	104[b]	192[b]	**204**	204	420
Operating profit pre exceptionals	**50**	48	131	**97**	96	179	**147**	144	310
Exceptional items[c]							**(4)**	-	(29)
Operating profit							**143**	144	281
Net finance costs							**(75)**	(76)	(139)
Profit before tax							**68**	68	142
Tax expense							**(15)**	(13)	(14)
Profit for the financial period							**53**	55	128

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

a Revenue includes other income of £4m (13 April 2013 £3m; 28 September 2013 £7m) in respect of franchise operations.
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 AND OTHER ADJUSTMENTS

	Notes	**2014 28 weeks £m**	2013 28 weeks restated* £m	2013 52 weeks restated** £m
Operating exceptional items				
Movement in the valuation of the property portfolio and goodwill:				
- Impairment arising from the revaluation	a	**-**	-	(12)
- Other impairment	a	**(4)**	-	(17)
Total operating exceptional items		**(4)**	-	(29)
Other adjustments:				
Net pensions finance charge (note 11)	b	**(5)**	(6)	(11)
Total exceptional items and other adjustments before tax		**(9)**	(6)	(40)
Tax credit relating to above items		**2**	2	9
Tax credit in respect of change in tax legislation	c	**-**	-	18
Total tax credit on exceptional items and other adjustments		**2**	2	27
Total exceptional items and other adjustments charge after tax		**(7)**	(4)	(13)

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

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 The net pensions finance charge is a non-cash adjustment which is excluded from adjusted profit.
c The prior year deferred tax credit relates to the enactment of legislation on 17 July 2013 which lowered the UK standard rate of corporation tax from 23% to 20% with effect from 1 April 2015.

All exceptional items relate to continuing operations.

4. FINANCE COSTS AND FINANCE REVENUE

	2014 28 weeks £m	2013 28 weeks restated* £m	2013 52 weeks restated** £m
Finance costs			
Securitised and other debt – loans and receivables	**(71)**	(71)	(130)
Finance revenue			
Interest receivable - cash	**1**	1	2
Net pensions finance charge (note 11)	**(5)**	(6)	(11)

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

5. TAXATION

	2014 28 weeks £m	2013 28 weeks restated* £m	2013 52 weeks restated** £m
Tax charged in the income statement			
Current tax	**(16)**	(3)	(20)
Deferred tax	**1**	(10)	6
	(15)	(13)	(14)

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

	2014 28 weeks £m	2013 28 weeks restated* £m	2013 52 weeks restated** £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	**-**	-	16
- Unrealised gains due to revaluations – retained earnings	**4**	4	11
- Remeasurement of pension liability	**-**	1	(11)
	4	5	16
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges:			
- Losses/(gains) arising during the period	**5**	1	(11)
- Reclassification adjustments for losses included in profit or loss	**(6)**	(2)	(19)
	(1)	(1)	(30)
Total tax credit/(charge) recognised in other comprehensive income	**3**	4	(14)

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

Tax has been calculated using an estimated annual effective tax rate of 22% (2013 28 weeks, 23.5%; 52 weeks, 23.5%) on profit before tax. This excludes the impact of prior year tax credits which reduces the overall tax expense for the 28 weeks ended 13 April 2013.

The Finance Act 2013 reduced the main rate of corporation tax from 23% to 20% from 1 April 2015. The effect of this change was reflected in the closing deferred tax balance at 28 September 2013.

6. EARNINGS PER ORDINARY SHARE

Basic earnings per share have 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 potentially dilutive ordinary shares.

Adjusted earnings per ordinary share amounts are presented before exceptional items and other adjustments (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 12 April 2014			
Profit for the period	**53**	**12.9 p**	**12.8 p**
Exceptional items and other adjustments, net of tax	**7**	**1.7 p**	**1.7 p**
Adjusted profit/EPS	**60**	**14.6 p**	**14.5 p**
28 weeks ended 13 April 2013 (restated*)			
Profit for the period	55	13.4 p	13.4 p
Exceptional items and other adjustments, net of tax	4	1.0 p	1.0 p
Adjusted profit/EPS	59	14.4 p	14.4 p
52 weeks ended 28 September 2013 (restated**)			
Profit for the period	128	31.2 p	31.1 p
Exceptional items and other adjustments, net of tax	13	3.2 p	3.1 p
Adjusted profit/EPS	141	34.4 p	34.2 p

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

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

	2014 28 weeks millions	2013 28 weeks millions	2013 52 weeks millions
For basic EPS calculations	**410**	410	410
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	**1**	-	-
- Other share options	**2**	1	2
For diluted EPS calculations	**413**	411	412

7. PROPERTY, PLANT AND EQUIPMENT

	2014 12 April £m	2013 13 April £m	2013 28 September £m
At beginning of period	**3,895**	3,848	3,848
Additions	**85**	59	126
Revaluation	**(4)**	-	31
Disposals	**(2)**	**-**	(1)
Depreciation provided during the period	**(55)**	(59)	(109)
At end of period	**3,919**	3,848	3,895

The freehold and long leasehold licensed properties were valued at market value as at 28 September 2013 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.

The carrying value of goodwill at 12 April 2014 is £2m (13 April 2013 £2m, 28 September 2013 £2m).

8. CASH FLOW FROM OPERATIONS

	2014 28 weeks £m	2013 28 weeks restated* £m	2013 52 weeks restated** £m
Operating profit	**143**	144	281
Add back: operating exceptional items	**4**	-	29
Operating profit before exceptional items	**147**	144	310
Add back:			
Depreciation of property, plant and equipment	**55**	59	109
Amortisation of intangibles	**1**	1	1
Amortisation of lease premium	**1**	-	-
Cost charged in respect of share based payments	**1**	1	2
Adjustment for pension funding	**1**	1	2
Operating cash flow before exceptional items, movements in working capital and additional pension contributions	**206**	206	424
Movements in working capital and pension contributions:			
(Increase)/decrease in inventories	**(2)**	-	2
Decrease/(increase) in trade and other receivables	**18**	(3)	(10)
Increase/(decrease) in trade and other payables	**4**	22	(5)
Increase in provisions	**3**	1	-
Additional pension contributions (note 11)	**(20)**	(20)	(40)
Cash flow from operations (pre exceptional items)	**209**	206	371

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

9. ANALYSIS OF NET DEBT

	2014 12 April £m	2013 13 April £m	2013 28 September £m
Cash and cash equivalents (see below)	**503**	354	340
Other cash deposits (see below)	**25**	25	25
Securitised debt (see below)	**(2,101)**	(2,177)	(2,132)
Liquidity facility (see below)	**(148)**	-	-
Derivatives hedging balance sheet debt[a]	-	21	8
	(1,721)	(1,777)	(1,759)

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 (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and in hand of £432m (13 April 2013 £268m, 28 September 2013 £268m) plus cash deposits with an original maturity of three months or less of £71m (13 April 2013 £86m, 28 September 2013 £72m).

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 12 April 2014, Mitchells & Butlers Retail Limited had cash and cash equivalents of £97m (13 April 2013 £130m, 28 September 2013 £99m) which were governed by the covenants associated with the securitisation. Of this amount £46m (13 April 2013 £43m, 28 September 2013 £43m), 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.

Other cash deposits

Other cash deposits at 12 April 2014 comprise £25m (13 April 2013 £25m, 28 September 2013 £25m) of cash at bank with an original maturity of three months or more.

Securitised debt

The overall cash interest rate payable on the loan notes is fixed at 6.1% (13 April 2013 5.9%, 28 September 2013 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 carrying value of the securitised debt in the Group balance sheet at 12 April 2014 is analysed as follows:

	2014 12 April £m	2013 13 April £m	2013 28 September £m
Principal outstanding at beginning of period	**2,137**	2,192	2,192
Principal repaid during the period	**(28)**	(27)	(55)
Exchange on translation of dollar loan notes	**(8)**	12	-
Principal outstanding at end of period	**2,101**	2,177	2,137
Deferred issue costs	**(9)**	(10)	(9)
Accrued interest	**9**	10	4
Carrying value at end of period	**2,101**	2,177	2,132

Liquidity facility
Under the terms of the securitisation, the Group hold 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 has been obliged to draw that counterparty's portion of the facility during the period. The amount drawn at 12 April 2014 is £148m (13 April 2013 £nil, 28 September 2013 £nil). These funds are charged under the terms of the securitisation and are not available for use in the wider Group.

10. MOVEMENT IN NET DEBT

	2014 28 weeks £m	2013 28 weeks £m	2013 52 weeks £m
Net increase in cash and cash equivalents	**163**	43	29
Add back cash flows in respect of other components of net debt:			
- Repayment of principal in respect of securitised debt	**28**	27	55
- Drawings under liquidity facility	**(148)**	-	-
Decrease in net debt arising from cash flows	**43**	70	84
Movement in capitalised debt issue costs net of accrued interest	**(5)**	(6)	(2)
Decrease in net debt	**38**	64	82
Opening net debt	**(1,759)**	(1,841)	(1,841)
Closing net debt	**(1,721)**	(1,777)	(1,759)

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.

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 2010 and updated by the schemes' independent qualified actuaries to 12 April 2014. Scheme assets are stated at market value at 12 April 2014 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 (as agreed on 21 May 2014 - see note 16).

	2014 28 weeks	2013 28 weeks	2013 52 weeks
Discount Rate	**4.2%**	4.2%	4.4%
Inflation (RPI)	**3.4%**	3.4%	3.4%
Implied life expectancies from age 65:			
- MABPP male currently 45	**24.3 years**	23.0 years	23.0 years
- MABEPP male currently 45	**27.6 years**	26.4 years	26.4 years

Minimum funding requirements
The results of the 2010 funding valuation showed a funding deficit of £400m, using a more prudent basis to discount the scheme liabilities than is required by IAS19 and on 21 July 2010 the Company formally agreed a 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension liabilities. The result of this was that the Group agreed to increase additional contributions from £24m to £40m per annum, commencing 1 April 2010, subject to review following completion of the 2013 actuarial valuation. The Group has therefore continued to make additional contributions of £40m per annum during the current financial period. 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.

The 2013 funding valuation and a new schedule of additional contributions were agreed on 21 May 2014 (see note 16).

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	**2014 28 weeks £m**	2013 28 weeks restated* £m	2013 52 weeks restated** £m
Operating profit			
Employer contributions (defined contribution plans)	**(3)**	(3)	(5)
Administration costs (defined benefit plans)	**(1)**	(1)	(2)
Total pensions operating costs	**(4)**	(4)	(7)
Finance costs			
Net pensions finance charge on actuarial deficit	**(2)**	(2)	(3)
Additional pensions finance charge due to minimum funding	**(3)**	(4)	(8)
Net pensions finance charge	**(5)**	(6)	(11)
Total charge	**(9)**	(10)	(18)

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

Group statement of comprehensive income	**2014 28 weeks £m**	2013 28 weeks restated* £m	2013 52 weeks restated** £m
Actuarial loss	**(94)**	(29)	(65)
Movement in pension liability due to minimum funding	**92**	28	65
Remeasurement of pension liability	**(2)**	(1)	-

***** Restated for movement in pension liability recognised due to minimum funding requirements and for the impact of IAS 19 (revised), see note 15.
** Restated for the impact of IAS 19 (revised), see note 15.

Group balance sheet	**2014 12 April £m**	2013 13 April restated* £m	2013 28 September £m
Fair value of scheme assets	**1,780**	1,807	1,732
Present value of scheme liabilities	**(1,974)**	(1,907)	(1,849)
Actuarial deficit in the schemes	**(194)**	(100)	(117)
Additional liability recognised due to minimum funding	**(42)**	(164)	(131)
Total pension liability	**(236)**	(264)	(248)
Associated deferred tax asset	**47**	61	50

***** Restated for movement in pension liability recognised due to minimum funding requirements (see note 15).

Movements in the total pension liability are analysed as follows:

	2014 28 weeks £m	2013 28 weeks £m	2013 52 weeks £m
At beginning of period	**(248)**	(276)	(276)
Administration costs	**(1)**	(1)	(2)
Net pensions finance charge	**(5)**	(6)	(11)
Contributions	**20**	20	41
Remeasurement of pension liability	**(2)**	(1)	-
At end of period	**(236)**	(264)	(248)

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 fair value of derivative financial liabilities held by the Group at 12 April 2014 are:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities				
Currency swaps	-	1	-	1
Interest rate swaps	-	225	-	225
	-	**226**	**-**	**226**

13. RELATED PARTY TRANSACTIONS

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

14. CONTINGENT LIABILITIES

The Company has given indemnities in respect of the disposal of certain companies previously within the Six Continents Group. It is the view of the Directors that such indemnities are not expected to result in financial loss to the Group.

15. RESTATEMENT OF PRIOR PERIOD INFORMATION

Recent accounting developments

Minimum funding requirements
Following recent guidance from the FRRP regarding the treatment of a schedule of contributions in relation to a minimum funding requirement under IFRIC 14, the Group has reconsidered the appropriate accounting treatment for its pension funding obligations. As a result the Group now includes the schedule of contributions within the overall pension liability recorded at the period end. This guidance was applied in the Annual Report and Accounts for the 52 weeks ended 28 September 2013. The comparative amounts in the balance sheet and statement of comprehensive income for the 28 weeks ended 13 April 2013 have been restated below.

IAS 19 Employee Benefits (revised)
IAS 19 (revised) was adopted on 29 September 2013 and has been applied retrospectively in accordance with the transition provisions.

The new standard requires pension scheme administration costs, previously charged against the expected return on plan assets, to be recognised in operating profit. The new standard also replaces the interest expense on retirement benefit obligations and the expected return on plan assets with a net interest cost that is calculated by applying the discount rate to the net pension liability at the beginning of the period. The net pension liability includes the additional liability recognised due to minimum funding requirements (see above).

The Group has restated the comparative amounts in the income statement and statement of comprehensive income for the 28 weeks ended 13 April 2013 and the period ending 28 September 2013. There is no impact on the balance sheet or cash flow statement from the changes introduced by IAS 19 (revised).

The tables below provide a summary of the amounts previously reported, the adjustments made and the restated amounts, with reference to minimum funding requirements and IAS 19 (revised).

28 weeks ended 13 April 2013	Previously reported £m	Impact of minimum funding requirements £m	Impact of IAS 19 (revised) £m	Restated £m
Group income statement				
Operating profit	145	-	(1)	144
Finance costs:				
Finance costs and revenue	(70)	-	-	(70)
Net pensions finance charge	(3)	-	(3)	(6)
Profit before tax	72	-	(4)	68
Tax expense	(14)	-	1	(13)
Profit for the period	58	-	(3)	55

Group statement of comprehensive income

Profit for the period	58	-	(3)	55
Remeasurement of pension liability	(29)	24	4	(1)
Other items of comprehensive income	6	-	-	6
Tax relating to items of other comprehensive income	10	(5)	(1)	4
Other comprehensive income after tax	(13)	19	3	9
Total comprehensive income	45	19	-	64
Group balance sheet				
Pension liabilities	(100)	(164)	-	(264)
Deferred tax asset	108	38	-	146

52 weeks ended 28 September 2013

	Previously reported £m	Impact of IAS 19 (revised) £m	Restated £m
Group income statement			
Operating profit	283	(2)	281
Finance costs:			
Finance costs and revenue	(128)	-	(128)
Net pensions finance charge	(5)	(6)	(11)
Profit before tax	150	(8)	142
Tax expense	(15)	1	(14)
Profit for the period	135	(7)	128
Group statement of comprehensive income			
Profit for the period	135	(7)	128
Remeasurement of pension liability	(8)	8	-
Other items of comprehensive income	161	-	161
Tax relating to items of other comprehensive income	(13)	(1)	(14)
Other comprehensive income after tax	140	7	147
Total comprehensive income	275	-	275
Group balance sheet			
Pension liabilities	(248)	-	(248)
Deferred tax asset	105	-	105

16. POST BALANCE SHEET EVENTS

Pensions
On 21 May 2014 the Group agreed a new schedule of contributions under a 10 year recovery plan, following completion of the 2013 actuarial valuation which showed a funding deficit of £572m. As a result the Group has agreed to increase contributions from £40m to £45m per annum for three years effective from 1 April 2013. From 1 April 2016 the contributions are increased each year by RPI (capped between 0% and 5%). The Group has also agreed to make a further payment of £40m on terms to be agreed with the Trustees by 30 September 2015. The impact of this agreement will be reflected in the financial statements for 52 weeks ended 29 September 2014.

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 12 April 2014 which comprises the Group condensed income statement, the Group condensed statement of comprehensive income, the Group condensed balance sheet, the Group condensed cash flow statement, the Group condensed statement of changes in equity and related notes 1 to 16. 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 information 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 information 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 information in the half-yearly financial report for the 28 weeks ended 12 April 2014 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
21 May 2014