MITCHELLS & BUTLERS PLC
LEI no: 213800JHYNDNB1NS2W10

18 May 2022

HALF YEAR RESULTS

(For the 28 weeks ended 9 April 2022)

Highlights

- Like-for-like[a] sales growth of 1.0% over the first half versus FY 2019 (pre Covid-19)
- Encouraging progress in like-for-like[a] sales growth of 3.8% versus FY 2019 through the second quarter
- Challenging cost environment partially mitigated through capital and Ignite programmes
- Commitment to reducing the environmental impact of the business with updated targets

Reported results

- Total revenue of £1,159m (HY 2021 £219m)
- Operating profit of £121m (HY 2021 £(132)m loss)
- Profit before tax of £57m (HY 2021 £(200)m loss)
- Basic earnings per share of 7.7p (HY 2021 (33.0)p loss)

Trading results

- Adjusted operating profit[a] £120m (HY 2021 £(124)m loss)
- Adjusted earnings per share[a] 7.6p (HY 2021 (31.8)p loss)

Balance sheet and cash flow

- Cash inflow before bond amortisation of £22m (HY 2021 inflow £35m)
- Net debt[a] reduced to £1,253m (HY 2021 £1,472m), excluding £483m of IFRS 16 lease liabilities (HY 2021 £541m)

Phil Urban, Chief Executive, commented:

"We are encouraged by the improvement in sales trajectory through the first half of the year, having made progress in each of our markets, with our food-led businesses continuing to lead the way.

The trading environment remains difficult. Cost headwinds present a significant challenge to the industry, particularly those costs related to utilities, wages and food. In light of this, our teams have refocused their efforts on driving further efficiency and productivity gains through our Ignite programme. In parallel, we are pushing forward with our capital investment plan which we are pleased to see delivering strong sales uplifts.

The fundamental strengths of the business remain, and we are well positioned to continue on our trajectory of recovery following the pandemic."

Definitions

a – The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. APMs are explained later in this announcement.
All sales measures are compared to FY 2019, being the last full year pre-Covid-19.

There will be a presentation held today at 9:30am accessible by phone on 020 3936 2999, access code: 040690 and www.incommuk.com/customers/online access code: 040690. The slides will also be available on the website at www.mbplc.com The replay will then be available at www.mbplc.com/hy2022/analystspresentation

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

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Note for editors:
Mitchells & Butlers is a leading operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Stonehouse, Vintage Inns, Browns, Castle, Nicholson's, O'Neill's and Ember Inns. In addition, it operates Innkeeper's Collection hotels in the UK and Alex restaurants and bars in Germany. Further details are available at www.mbplc.com and supporting photography can be downloaded at www.mbplc.com/imagelibrary.

CURRENT TRADING AND OUTLOOK

We have been encouraged with the continued recovery in sales since our last update, with like-for-like sales[a] growth in the second quarter of 3.8%, resulting in overall like-for-like sales[a] growth of 1.0% in the first half despite the adverse impact of Omicron over the important festive period.

At the end of the first half the rate of VAT on food and non-alcoholic drink reverted to its full rate of 20%. On an underlying basis, excluding the impact of this rate change, sales strengthened further in the five weeks after the end of the period to 2.2%.

Cost inflation headwinds present a major challenge to the hospitality sector as a whole, most notably in utilities, wages and food. Cost headwinds, based on FY 2019 and on a cost base of £1.8bn, are expected to be in the region of 11.5% for the current year. Equivalent to 3.7% on an annualised basis across the three year period. Next year, current assumptions indicate an increase of c.6% on a year-on-year basis but high volatility in energy markets could have a material impact. Through accelerated and focused delivery of a new set of Ignite initiatives covering sales, productivity and cost reduction, alongside tight control of the business, we are working hard to mitigate these costs as far as possible. However, there will inevitably be a residual margin impact in the short to medium term.

Whilst the trading environment remains challenging and uncertain, with increases in the cost of living putting continued pressure on consumers, we are encouraged by the steady recovery in sales that we have seen since reopening last year. We believe that the strength and diversity of our portfolio of brands, continued focus on our capital programme and a new wave of Ignite initiatives will position us well to gain further market share.

BUSINESS REVIEW

Total sales across the period were £1,159m reflecting a 2.2% decline on HY 2019, the last period not impacted by Covid-19 related closures, driven mainly by site disposals since FY 2019. Operating profit of £121m (HY 2021 £132m loss) was generated, with adjusted operating profit[a] of £120m reflecting the strong return to profitability the business made when Covid-19 restrictions were lifted.

The first quarter was once again impacted by Covid-19, with the spread of the Omicron variant resulting in renewed calls for caution in socialising over the important festive period. Thereafter, once it was confirmed that the symptoms of Omicron were generally mild, consumer confidence was boosted and like-for-like sales[a] recovered to growth of 3.8% over the second quarter.

Food sales continue to outperform drink with like-for-like sales[a] growth of 6.9% over the first half, and with premium brands continuing to perform well, helped by the reduced rate of VAT. We have more recently observed an encouraging trend of recovery in city sites, with like-for-like sales[a] growth of 1.1% during the second quarter, as people begin to return to offices, albeit trading in some areas of London, such as The City, still remains relatively subdued. Drink sales continued to be challenged across the sector and like-for-like sales[a] declined by 6.9% in the first half, with suburban locations seeing the largest declines.

In the year to date, the Peach tracker has recorded like-for-like market growth of 0.7%, with growth increasing in recent months. Growth was reported to be led by restaurants, with a strengthening trend in bars, driven by the younger, high tempo and experiential market, with London continuing to lag the market as a whole. Against the Peach tracker we continue to significantly outperform in the restaurants and pub restaurant sectors. However, in this period the portion of our estate included in the pub sector has underperformed driven by relatively lower exposure to young markets.

The cost environment has worsened since our last announcement, with the war in Ukraine driving up energy and food prices in particular. At the current time we have bought c.80% of this year's total energy requirement and c.10% of next year's. We continue to work hard to offset as much of these additional costs as possible, with our Ignite programme continuing to be an effective method through which to do so. However, the industry as a whole will undoubtedly feel the impact of increased costs in the short to medium term.

The pandemic resulted in consumer trends such as home delivery being accelerated and we have expanded our offer to benefit from this growing market. We now have over 1,100 sites live with Just Eat, Uber Eats and Deliveroo and we offer takeaway and click and collect orders directly to guests across a number of brands. Annual delivery and takeaway sales are estimated to rise to c.£45m this financial year.

The unprecedented challenges the industry has faced have had an unavoidable impact on market supply with a 6.4% decline in pubs and restaurants since March 2020 (CGA Outlet Index). Restaurants have been hit harder by closures: the number of outlets has declined by 9.3%, with independent and tenanted businesses making up 69% of net closures. We believe that the platform of financial stability provided through the equity raise leaves us well placed to benefit from these changes in the competitive landscape.

OUR STRATEGIC PRIORITIES

The fundamental strengths of our business remain and ensure that we are well-positioned for the future. We have an 82% freehold estate, with recognised and diversified brands across a broad range of consumer occasions, demographics and locations, and an experienced and proven management team with the focus to build on the momentum previously gained. In the short to medium term, our priority is to continue to successfully trade the business in this challenging environment, ensuring the safety of our team members and guests, managing cost inflation and growing the business back to, and beyond, the levels of trade that we were enjoying before Covid-19.

Given the current market dynamics we have an opportunity to win market share through our pricing strategy and specifically by continuing to provide value for money to our guests. We have taken the decision to not pass through the full extent of the cost inflation impacting the business and to instead assess the pricing movement across the market. We will assess market prices more frequently and respond depending on our analysis of market movements. The benefit of our stable financial position, our ability to continue to invest in our capital programme and the mitigation generated through Ignite makes this market acquisition strategy possible.

Our Ignite programme of work remains at the core of our long-term value creation plans and we have now reopened our project office and are working on over 40 fresh initiatives, some of which are already being implemented in the business. We are focusing on initiatives which enhance efficiency and productivity, helping to offset some of the headwinds in areas such as automatic product ordering, enhanced labour scheduling, cost mitigating procurement strategies and energy consumption reduction. We remain confident in our ability to deliver long-term and sustained efficiencies and business improvements through the existing Ignite programme.

We remain committed to accelerating our digital strategy, an area which became increasingly important to guests during the pandemic resulting in changes in behaviour which are here to stay. Our strategy focuses on building the correct organisational capabilities to allow for the quick activation of new digital services as consumer behaviours change, allowing us to be at the forefront of digital advances in the sector. We have made significant progress in our digital services in recent years, for example our digital order at table facility, our streamlined online booking experience, and the development of our own channel delivery capability.

We have also resumed our capital programme which has been proven to deliver value by improving the competitive position of our pubs and restaurants within their local markets. We are committed to re-establishing a 6-7 year investment cycle and, whilst short-term supply issues in terms of material procurement and contractor availability may affect progress in the current financial year, this continues to be a key focus for the business. In the year to date we have completed 63 investment projects including 57 remodels, three conversions and the acquisition of the freehold of three leasehold sites. We are continuing to see strong performance from our investment projects with an average sales uplift of nearly 30% from projects completed since FY 2019.

SUSTAINABILITY

We are committed to reducing the environmental impact of our business and the Board has recently agreed our new, even more challenging targets, to drive momentum in this area. We have committed to:

- Net Zero emissions by 2040; including scope 1, 2 and 3 emissions, we will submit our roadmap to net zero for Science Based Target Initiative approval when applications reopen next calendar year. We are founding members of the Zero Carbon Forum and are committed to playing our part in decarbonising the hospitality industry as a whole.

- Zero operational waste to landfill by 2030; we have made great progress in this area in recent years and currently divert 96% operational waste away from landfill. We have underpinned this ambition with a recycling rate target of 80% over the same period.

- 50% reduction in food waste by 2030; aligned with the UN Sustainable Development Goals we will halve food waste in our supply chain and in sites by 2030.

We have a number of initiatives underway to support these ambitions including formulating menus with lower-emission dishes and trialling the attraction of these dishes to guests. We are developing a transition plan to remove gas from our businesses, electrification of our kitchens and finding alternative heating solutions to gas boilers. We also have an established kitchen refurbishment programme which has saved 941 pieces of kitchen equipment from going to landfill since its inception.

Our sustainability strategy has a strong focus on the positive impact we have on people and communities. For example, we are committed to enhancing the wellbeing of our own people, and we have an established nutritional strategy aiming to provide balanced choices and information to guests. We have also developed charitable partnerships with Shelter and Social Bite through which we are committed to tackling the growing issue of homelessness in the UK.

FINANCIAL REVIEW

On a statutory basis, profit before tax for the half year was £57m (HY 2021 loss £200m), on sales of £1,159m (HY 2021 £219m).

The Group Income Statement discloses adjusted profit and earnings per share information that excludes separately disclosed items to allow a better understanding of the trading of the Group. Separately disclosed items are those which are separately identified by virtue of their size or incidence.

	Statutory		**Adjusted**[a]	
	HY 2022	**HY 2021**	**HY 2022**	**HY 2021**
	£m	**£m**	**£m**	**£m**
Revenue	1,159	219	1,159	219
Operating profit / (loss)	121	(132)	120	(124)
Profit / (loss) before tax	57	(200)	56	(192)
Earnings / (loss) per share	7.7p	(33.0)p	7.6p	(31.8)p
Operating margin	10.4%	(60.3)%	10.4%	(56.6)%

At the end of the period, the total estate comprised 1,726 sites in the UK and Germany of which 1,641 are directly managed.

Revenue

Total revenue of £1,159m (HY 2021 £219m) reflects a period of continuous trading, albeit disrupted by the Omicron variant, against last year which included substantial closures and restrictions relating to Covid-19. Sales figures include the benefit of the temporary reduction in the rate of VAT on food and non-alcoholic drink sales worth £43m in the period (HY 2021 £18m). The full VAT rate resumed in the last week of the period.

Sales comparisons below are on a three-year basis, to the same period in FY 2019, being the last full pre Covid-19 financial year.

Like-for-like sales[a] in the first half increased by 1.0% against FY 2019, comprising an increase in like-for-like food sales[a] of 6.9% and a decrease of like-for-like drink sales[a] of (6.9)%.

Like-for-like sales[a] growth/(decline) against FY19:

	Weeks 1 – 15	Weeks 16 – 28	Weeks 29 – 33
Food	5.2%	8.9%	5.1%
Drink	(9.1%)	(4.2)%	(0.5)%
Total	**(1.5%)**	**3.8%**	**2.2%**
Total excl. VAT benefit	**(5.5)%**	**0.2%**	**2.2%**

We made a strong start to the year with like-for-like sales growth of 2.7% over the first eight weeks. This encouraging performance continued until early December when concerns first arose around the emergence of the new Covid variant, Omicron, leading to calls for further caution in socialising such that, over the seven weeks to early January, like-for-like sales[a] declined by 6.0% resulting in a decline of 1.5% over the first quarter.

Sales strengthened in the second quarter, with the news that the Omicron symptoms were mild, with like-for-like sales[a] growth of 3.8%, bringing first half growth to 1.0%.

Volumes remain in decline of between 10% to 15%, with sales being driven by premiumisation and increases in spend per head. Sales have remained stronger in food-led brands, particularly at the more premium end of the market.

At the end of the first half, the rate of VAT on food and non-alcoholic drinks returned to its full rate of 20%. On an underlying basis, excluding the impact of this rate change, sales continued to strengthen in the five weeks since the end of the period, to 2.2%.

Separately disclosed items

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

There was a £1m net profit arising on property disposals in the period.

Operating profit and margins[a]

Adjusted operating profit[a] for the first half was £120m against an adjusted operating loss[a] of £124m in HY 2021, with HY 2021 significantly impacted by Covid-19 closures and restrictions.

Statutory operating margin of 10.4% was 70.7ppts higher than last year but remains below pre-Covid levels achieved in FY 2019.

Whilst the outlook remains highly uncertain, inflationary cost headwinds have been, and are anticipated to remain, higher than pre-covid levels due particularly to increases in statutory wage rates, food costs and persistent high prices in the energy markets. As outlined in the outlook statement, we now expect these to continue into the medium term.

Interest

Net finance costs of £63m for the half year were £4m lower than the same period last year, with annual amortisation reducing the value of securitised debt.

The net pensions finance charge was £1m (HY 2021 £1m). The charge for the full year is expected to be £2m.

Earnings per share

Basic earnings per share, after the separately disclosed items described above, were 7.7p (HY 2021 loss (33.0)p, adjusted earnings per share[a] were 7.6p (HY 2021 loss (31.8p).

The basic weighted average number of shares in the period was 596m and the total number of shares issued at the balance sheet date was 597m.

Cash flow

	HY 2022 £m	HY 2021 £m
EBITDA before movements in the valuation of the property portfolio	191	(57)
Non-cash share-based payment and pension costs and other	2	6
Operating cash flow before movements in working capital and additional pension contributions	**193**	**(51)**
Working capital movement	2	(85)
Pension deficit contributions	(23)	(13)
Cash flow from operations	**172**	**(149)**
Capital expenditure	(58)	(16)
Net finance lease principal payments	(33)	(18)
Interest on lease liabilities	(11)	(9)
Net interest paid	(50)	(53)
Tax	-	1
Issue and purchase of shares	-	341
Other	2	(1)
Drawings under liquidity facility	-	49
Repayment of term loan	-	(100)
Repayment of revolving credit facilities	-	(10)
Net cash flow before bond amortisation	**22**	**35**
Mandatory bond amortisation	(54)	(51)
Net cash flow	**(32)**	**(16)**

The business generated £191m of EBITDA before movements in the valuation of the property portfolio.

In HY 2021, the working capital outflow reflected significant periods of closure with continued supplier, landlord and HMRC commitments due. This has now normalised.

Capital expenditure has increased in HY 2022 as the capital programme resumed following reduced activity in the prior period due to the cash management strategy in response to Covid-19.

In HY 2021, share issue proceeds reflect the equity raise of £351m less £9m transaction fees and £1m purchase of own shares.

After all outgoings including mandatory bond amortisation, cash outflow was £(32)m (HY 2021 outflow £(16)m).

Capital expenditure

Capital expenditure of £58m (HY 2021 £16m, including £1m intangible assets) comprises £56m from the purchase of property, plant and equipment and £2m in relation to the purchase of intangible assets. Of the £56m spend, £39m relates to the completion of acquisitions, conversions and remodels with the balance being essential maintenance and infrastructure.

Capital expenditure was significantly below historic levels in the comparative year HY 2021 as part of the cash management strategy in response to Covid-19.

	HY 2022		**HY 2021**	
	£m	**#**	**£m**	**#**
Maintenance and infrastructure	**19**		**9**	
Remodels - refurbishment	24	57	3	3
Conversions	2	3		
Acquisitions – freehold	13	3	4	2
Total return generating capital expenditure	**39**	**63**	**7**	**5**
Total capital expenditure	**58**		**16**	

The three acquisitions represent the purchase of freehold sites previously held as leasehold.

Pensions

The Group continues to make pension deficit payments as agreed as part of the triennial pension's valuation with the schemes' Trustees at 31 March 2019, which showed an actuarial deficit of £293m. At the time it was agreed that the deficit would continue to be funded by cash contributions of c.£45m per annum indexed with RPI from 2016 to 2023. In 2024 an additional payment of £13m will be made into escrow, should such further funding be required at that time.

During the period, the trustees of the M&B Executive Pension Plan (MABEPP), working closely with the Company, have successfully completed a full scheme buy-in with Legal and General Assurance Society Limited. This transaction eliminates substantially all remaining risk in this scheme within the level of existing committed contributions. The MABEPP makes up approximately 20% of the Company's total pension obligations, with the vast majority of the balance being in the M&B Pension Plan (MABPP) for which the next triennial valuation will be as at 31st March 2022.

Net debt and facilities

Following the adoption of IFRS16 in FY 2020, leases are now included in net debt. Net debt at the period end was £1,736m, comprised of £1,253m non-lease liabilities and lease liabilities of £483m (HY 2021 £2,013m comprised of £1,472m non-lease liabilities and lease liabilities of £541m).

On 14 February 2021, the Group reached agreement with its three relationship banks for a new £150 million 3-year unsecured facility. In addition, extended waivers and then amendments until January 2023 were agreed within the Group securitisation to provide flexibility and stability to manage the secured financing structure as the business rebuilt following reopening. Without these extensions certain breaches would have resulted due to the impact of Covid-19 and the measures taken to stem the spread of the virus. The details of these arrangements and an analysis of net debt can be found in Notes 1 and 11 to the financial statements.

In securing these valuable amendments the Group agreed not to pay an external dividend, undertake any share buy-backs or repurchase bond debt until January 2023 at the earliest.

Further details can be found at https://www.mbplc.com/infocentre/debtinformation/.

Going Concern

After considering the forecasts, sensitivities and mitigating actions available to management and having regard to risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. However, given the prevailing high level of unpredictability and uncertainty concerning both sales and cost inflation, the Directors have concluded that a material uncertainty exists which may cast significant doubt over the Group's ability to trade as a going concern, in which case it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Accordingly, the financial statements continue to be prepared on the going concern basis but with material uncertainty arising from the impact of macro-economic factors.

Full details are included in Note 1.

Director's responsibility statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as required by DTR 4.2.4R and to the best of their knowledge gives a true and fair view of the information required by DTR 4.2.4R;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 28 weeks and description of principal risks and uncertainties for the remaining 24 weeks of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

This responsibility statement was approved by the Board of Directors on 17 May 2022 and is signed on its behalf by:

Tim Jones
Chief Financial Officer
17 May 2022

Definitions

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

GROUP CONDENSED INCOME STATEMENT
for the 28 weeks ended 9 April 2022

		2022 28 weeks (Unaudited)		2021 28 weeks (Unaudited)		2021 52 weeks (Audited)	
	Notes	**Before separately disclosed items[a] £m**	**Total £m**	Before separately disclosed items[a] £m	Total £m	Before separately disclosed items[a] £m	Total £m
Revenue	3	**1,159**	**1,159**	219	219	1,065	1,065
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio		**(970)**	**(970)**	(268)	(276)	(898)	(885)
Share in associates results		**1**	**1**	-	-	1	1
Net profit arising on property disposals		**-**	**1**	-	-	-	1
EBITDA[b] before movements in the valuation of the property portfolio		**190**	**191**	(49)	(57)	168	182
Depreciation, amortisation and movements in the valuation of the property portfolio		**(70)**	**(70)**	(75)	(75)	(139)	(101)
Operating profit/(loss)		**120**	**121**	(124)	(132)	29	81
Finance costs	6	**(63)**	**(63)**	(67)	(67)	(122)	(122)
Finance income	6	-	-	-	-	2	2
Net pensions finance charge	6,12	**(1)**	**(1)**	(1)	(1)	(3)	(3)
Profit/(loss) before tax		**56**	**57**	(192)	(200)	(94)	(42)
Tax (charge)/credit	7	**(11)**	**(11)**	33	35	17	(23)
Profit/(loss) for the period		**45**	**46**	(159)	(165)	(77)	(65)
Earnings/(loss) per ordinary share:	8						
Basic		**7.6p**	**7.7p**	(31.8)p	(33.0)p	(13.6)p	(11.5)p
Diluted		**7.6p**	**7.7p**	(31.8)p	(33.0)p	(13.6)p	(11.5)p

a Separately disclosed items are explained and analysed in note 4.
b Earnings/(loss) before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio.

All results relate to continuing operations.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME/(EXPENSE)
for the 28 weeks ended 9 April 2022

	Notes	**2022 28 weeks £m (Unaudited)**	2021 28 weeks £m (Unaudited)	2021 52 weeks £m (Audited)
Profit/(loss) for the period		**46**	(165)	(65)
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of the property portfolio	9	-	-	150
Remeasurement of pension liabilities	12	**29**	8	9
Tax charge relating to items not reclassified	7	**(7)**	(1)	(97)
		22	7	62
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		-	(1)	(1)
Cash flow hedges:				
- Gains arising during the period		**61**	31	32
- Reclassification adjustments for items included in profit or loss		**13**	35	56
Tax charge relating to items that may be reclassified	7	**(19)**	(13)	(4)
		55	52	83
Other comprehensive income after tax		**77**	59	145
Total comprehensive income/(expense) for the period		**123**	(106)	80

GROUP CONDENSED BALANCE SHEET

9 April 2022

	Notes	**2022 9 April £m (Unaudited)**	2021 10 April (restated*) £m (Unaudited)	2021 25 September £m (Audited)
ASSETS				
Goodwill and other intangible assets	9	**13**	14	13
Property, plant and equipment	9	**4,450**	4,263	4,442
Right-of-use assets	10	**368**	405	379
Interests in associates		**6**	4	5
Finance lease receivables		**13**	14	14
Deferred tax asset		**3**	107	4
Derivative financial instruments	13	**35**	29	29
Total non-current assets		**4,888**	4,836	4,886
Inventories		**23**	14	19
Trade and other receivables		**58**	66	48
Current tax assets		**1**	-	3
Finance lease receivables		**1**	2	1
Cash and cash equivalents	11	**223**	144	252
Total current assets		**306**	226	323
Total assets		**5,194**	5,062	5,209
LIABILITIES				
Pension liabilities	12	**(41)**	(64)	(51)
Trade and other payables		**(352)**	(243)	(333)
Current tax liabilities		**-**	(1)	(2)
Borrowings	11	**(141)**	(168)	(134)
Lease liabilities	10	**(46)**	(68)	(50)
Derivative financial instruments	13	**(36)**	(38)	(37)
Total current liabilities		**(616)**	(582)	(607)
Pension liabilities	12	**(53)**	(114)	(92)
Borrowings	11	**(1,368)**	(1,477)	(1,416)
Lease liabilities	10	**(437)**	(473)	(463)
Derivative financial instruments	13	**(99)**	(192)	(172)
Deferred tax liabilities		**(383)**	(302)	(346)
Provisions		**(10)**	(7)	(9)
Total non-current liabilities		**(2,350)**	(2,565)	(2,498)
Total liabilities		**(2,966)**	(3,147)	(3,105)
Net assets		**2,228**	1,915	2,104
EQUITY				
Called up share capital		**51**	51	51
Share premium account		**357**	356	356
Capital redemption reserve		**3**	3	3
Revaluation reserve		**1,150**	1,117	1,150
Own shares held		**(4)**	(4)	(3)
Hedging reserve		**(101)**	(187)	(156)
Translation reserve		**13**	13	13
Retained earnings		**759**	566	690
Total equity		**2,228**	1,915	2,104

* Retained earnings and current lease liabilities have been restated at 10 April 2021 for the impact of Covid-19 related rent concessions agreed in the prior period but relating to the 52 weeks ended 26 September 2020. See notes 1 and 10 for further details.

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the 28 weeks ended 9 April 2022

	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 26 September 2020 (Audited)	**37**	**28**	**3**	**1,117**	**(3)**	**(240)**	**14**	**721**	**1,677**
Impact of Covid-19 rent concessions[a]	-	-	-	-	-	-	-	1	1
At 26 September 2020 (revised)	**37**	**28**	**3**	**1,117**	**(3)**	**(240)**	**14**	**722**	**1,678**
Loss for the period	-	-	-	-	-	-	-	(165)	(165)
Other comprehensive income/(expense)	-	-	-	-	-	53	(1)	7	59
Total comprehensive income/(expense)	-	-	-	-	-	53	(1)	(158)	(106)
Share capital issued	14	328	-	-	-	-	-	-	342
Purchase of own shares	-	-	-	-	(1)	-	-	-	(1)
Credit in respect of share-based payments	-	-	-	-	-	-	-	1	1
Tax credit on share-based payments	-	-	-	-	-	-	-	1	1
At 10 April 2021 (Unaudited)	**51**	**356**	**3**	**1,117**	**(4)**	**(187)**	**13**	**566**	**1,915**
Profit for the period	-	-	-	-	-	-	-	100	100
Other comprehensive income	-	-	-	33	-	31	-	22	86
Total comprehensive income	-	-	-	33	-	31	-	122	186
Purchase of own shares	-	-	-	-	-	-	-	-	-
Release of own shares	-	-	-	-	1	-	-	(1)	-
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	2
Tax credit on share-based payments	-	-	-	-	-	-	-	1	1
At 25 September 2021 (Audited)	**51**	**356**	**3**	**1,150**	**(3)**	**(156)**	**13**	**690**	**2,104**
Profit for the period	-	-	-	-	-	-	-	46	**46**
Other comprehensive income	-	-	-	-	-	55	-	22	**77**
Total comprehensive income	-	-	-	-	-	55	-	68	**123**
Share capital issued	-	1	-	-	-	-	-	-	**1**
Purchase of own shares	-	-	-	-	(1)	-	-	-	**(1)**
Credit in respect of share-based payments	-	-	-	-	-	-	-	2	**2**
Tax charge on share-based payments								(1)	(1)
At 9 April 2022 (Unaudited)	**51**	**357**	**3**	**1,150**	**(4)**	**(101)**	**13**	**759**	**2,228**

a. Retained earnings at 26 September 2020 have been increased for the impact of Covid-19 related rent concessions agreed in the prior period but relating to the 52 weeks ended 26 September 2020. See notes 1 and 10 for further details.

GROUP CONDENSED CASH FLOW STATEMENT
for the 28 weeks ended 9 April 2022

	Notes	**2022 28 weeks £m**	2021 28 weeks £m	2021 52 weeks £m
Cash flow from operations		**(Unaudited)**	(Unaudited)	(Audited)
Operating profit/(loss)		**121**	(132)	81
Add back/(deduct):				
Movement in the valuation of the property portfolio		**-**	-	(38)
Net profit arising on property disposals		**(1)**	-	(1)
Depreciation of property, plant and equipment	9	**49**	53	98
Amortisation of intangibles		**2**	2	4
Depreciation of right-of-use assets	10	**19**	20	37
Loss on disposal of fixtures, fittings and equipment		**-**	-	2
Cost charged in respect of share-based payments		**2**	1	3
Past service cost in relation to the defined benefit pension obligation	12	**-**	3	3
Administrative pension costs	12	**2**	2	5
Share of assoicates results		**(1)**	-	(1)
Impairment of finance lease receivables		**-**	-	2
Operating cash flow before movements in working capital and additional pension contributions		**193**	(51)	195
(Increase)/decrease in inventories		**(3)**	8	3
Increase in trade and other receivables		**(10)**	(25)	(7)
Increase/(decrease) in trade and other payables		**15**	(68)	10
Decrease in provisions		**-**	-	1
Additional pension contributions	12	**(23)**	(13)	(52)
Cash flow from/(used in) operations		**172**	(149)	150
Interest payments		**(31)**	(33)	(65)
Interest payments on interest rate swap		**(19)**	(20)	(40)
Interest receipts on cross currency swap		**-**	1	1
Interest payments on cross currency swap		**-**	(1)	(1)
Other interest paid – lease liabilities		**(11)**	(9)	(21)
Borrowing facility fees paid		**-**	(1)	(1)
Interest received		**-**	-	1
Tax received		**-**	1	1
Net cash from/(used in) operating activities		**111**	(211)	25
Investing activities				
Purchases of property, plant and equipment		**(56)**	(15)	(29)
Purchases of intangible assets		**(2)**	(1)	(4)
Proceeds from sale of property, plant and equipment		**2**	-	1
Finance lease principal repayments received		**1**	1	-
Net cash used in investing activities		**(55)**	(15)	(32)
Financing activities				
Issue of ordinary share capital		**1**	342	342
Purchase of own shares		**(1)**	(1)	(1)
Repayment of principal in respect of securitised debt	11	**(56)**	(52)	(107)
Principal receipts on currency swap	11	**9**	8	17
Principal payments on currency swap	11	**(7)**	(7)	(14)
Drawings/(repayment) under liquidity facility	11	**-**	49	(9)
Repayment of term loan	11	**-**	(100)	(100)
Repayment of unsecured revolving credit facilities	11	**-**	(10)	(10)
Cash payments for the principal portion of lease liabilities		**(34)**	(19)	(41)
Net cash from financing activities		**(88)**	210	77
Net (decrease)/increase in cash and cash equivalents	11	**(32)**	(16)	70
Cash and cash equivalents at the beginning of the period	11	**227**	158	158
Foreign exchange movements on cash		**(1)**	(1)	(1)
Cash and cash equivalents at the end of the period	11	**194**	141	227

Cash and cash equivalents are defined in note 11.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Basis of preparation
Mitchells & Butlers Plc (the Company) is a company domiciled in the UK. These condensed consolidated interim financial statements (interim financial statements) as at and for the 28 weeks ended 9 April 2022 comprise the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in the hospitality industry providing guests with memorable occasions serving food and drink across a range of restaurants, pubs and bars.

This interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted within the United Kingdom and should be read in conjunction with the Group's last annual consolidated financial statements as at 25 September 2021. They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.
These interim financial statements were authorised for issue by the Company's board of Directors on 17 May 2022.

The information for the 52 weeks ended 25 September 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and has been prepared in accordance with IFRS as adopted within the United Kingdom. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

It is normal practice for the Company to request its auditor to complete a review of interim financial information. However, as a result of the continuation of the Covid-19 pandemic and the emergence of the Omicron variant during December 2021, coupled with a change of external auditor for FY22, this interim financial information has not been reviewed by the Company's auditor.

Going concern
The persistence of a high degree of volatility in both sales and costs outlooks casts a degree of uncertainty as to the future financial performance and cash flows of the Group. These have been considered by the Directors in assessing the ability of the Group to continue as a going concern.

Last year the Group launched an Open Offer to shareholders resulting in an inflow of £351m of additional funds, gross of transaction costs, on 12 March 2021. This significantly enhanced the financial position of the Group. Further, and contingent on this equity raise, the Group secured new debt arrangements by agreement with its main stakeholders. In summary:

- the establishment of a £150m 3 year unsecured revolving credit facility due to expire in February 2024; and
- agreement to a number of waivers and amendments with Ambac Assurance UK Ltd, as controlling creditor, and HSBC Trustee (CI), as trustee, running until January 2023 to provide flexibility and stability to manage the Group's secured debt financing structure.

Within the secured debt financing structure there are two main covenants, being the level of net assets and FCF to DSCR. As at 9 April 2022 there was substantial headroom on the net worth covenant. FCF to DSCR represents the multiple of cash generated by sites within the structure to the cost of debt service. This is tested quarterly on both a trailing two quarter and a four quarter basis. These tests were waived until January 2022 (two quarter) and April 2022 (four quarter) and then transition to their full level of a minimum of 1.1 times by January 2023.

In order to secure such amendments and waivers, the Group gave certain undertakings, including not to pay an external dividend until certain conditions are satisfied (which is unlikely before January 2023) and to provide funding into the securitisation in line with drawings on the Liquidity Facility.

Unsecured facilities include a minimum liquidity covenant against which there was substantial headroom as at 9 April 2022. The liquidity covenant is measured until the end of Q3 FY22, following which further covenants will be introduced relating to the ratio of EBITDA to rent plus interest (at a minimum of 1.5 times) and Net debt to EBITDA (to be no more than 3.0 times) based on the performance of the unsecured estate.

1. GENERAL INFORMATION (CONTINUED)

Going concern (continued)
Full details, which were agreed in support of the equity raise, can be found in the prospectus issued with the Open Offer which is available on the Group's website.

In the year ahead the main uncertainties are considered to be the continuing recovery of sales, and the future outlook for cost inflation, most notably in energy prices, food costs and wages and salaries. The outlook for these is highly uncertain and will depend on a number of factors including consumer demand, global supply chain disruptions and government policy.

The Directors have reviewed the revised financing arrangements against a forward trading forecast. This forecast assumes a continued build in sales beyond pre-pandemic levels. Under this scenario the Group is able to stay within revised committed facility financial covenants and maintains sufficient liquidity.

After due consideration of these factors the Directors believe that they have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the 12 months from the date of approval of these condensed financial statements, and therefore continue to adopt the going concern in their preparation.

The Directors have also considered reverse stress test scenarios covering adverse movements in both sales and cost inflation. In these scenarios whilst the Group retains sufficient liquidity throughout the period based on existing facilities, there is severe but plausible downside risk that covenants would not be achieved. Under such a scenario the Directors believe that waivers should be obtained but this is not fully within the Group's control and as a result the Directors cannot conclude that the possibility of an un-waived breach of covenant is remote.

As a result, and given the prevailing high level of unpredictability and uncertainty concerning both sales and cost inflation, a material uncertainty exists which may cast significant doubt over the Group's ability to trade as a going concern, in which case it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Accounting policies
The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2021, other than the adoption of new accounting standards set out below.

Interest Rate Benchmark Reform – Phase 2
(Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, IFRS 16 Leases)

The Group has adopted the amendments to IFRS 9, included in Phase 2 of the Interest Rate Benchmark Reform, in the current period, which address issues that might affect financial reporting during the reform of an interest rate benchmark. This includes the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

A number of the Group's financial instruments had LIBOR as their interest reference rate at the start of the period. During the period, the Group completed the necessary amendments to transition its financing arrangements in advance of the discontinuation of LIBOR as a floating reference rate, replacing LIBOR with a Sterling Overnight Index Average (SONIA) based rate in respect of Sterling and a Secured Overnight Financing Rate (SOFR) based rate in respect of US Dollars. The amendments in respect of the securitised bonds were agreed by the Bondholders through a formal consent solicitation process and bilateral agreements were reached with securitised swap providers (using amended reference rates consistent with those agreed under the bonds). All sterling based facilities and agreements referencing Sterling LIBOR transitioned in the period and now reference SONIA, plus a credit adjustment spread of 11.93 basis points to maintain an economically equivalent position, for periods commencing on or after 1st January 2022. The facilities currently referencing US Dollar LIBOR will transition to SOFR plus 26.161 basis points for periods commencing on or after 1st July 2023. The liquidity facility and the unsecured committed facility were arranged on a SONIA basis in the prior period, so did not require any further amendment.

As part of the transition, all of the Group's hedge relationships have been reviewed and these continue to be highly effective. Hedge documentation has been updated in accordance with the reliefs permitted in the amendments to IFRS 9, designating the new interest reference rate in both the hedged item and the hedging instrument. As a result of the transition, there has been no impact on the amounts recognised in the income statement or statement of other comprehensive income.

1. GENERAL INFORMATION (CONTINUED)

Restatement
As disclosed in the Annual Report and Accounts 2021, the Group received £2m of Covid-19 related rent concessions. In the prior period, the application of the practical expedient to IFRS 16 resulted in the recognition of a £1m increase to opening retained earnings (at 26 September 2020), and a corresponding reduction to current lease liabilities. This amendment had not been determined at the time of preparation of the prior period interim information. As such, the balance sheet at 10 April 2021 has now been restated to reflect this. Further details are provided in note 10.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense.

Estimates and judgements are periodically reviewed and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Details of the Group's critical accounting judgements and estimates are described within the relevant accounting policies set out in the Annual Report and Accounts 2021. Judgements and estimates for the interim period remain unchanged.

2. SEGMENTAL ANALYSIS

The Group trades in one business segment (that of operating pubs, bars and restaurants). The Group's brands meet the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments and as such the Group reports the business as one reportable segment.

3. REVENUE

Revenue is analysed as follows:	Notes	**2022 28 weeks £m**	2021 28 weeks £m	2021 52 weeks £m
Food		**627**	128	592
Drink		**484**	77	414
Services		**43**	14	34
Other – Local Authority grants (UK and Germany)	5	**4**	-	11
Other – German government grants for loss of profits	5	**1**	-	14
Total		**1,159**	219	1,065

Revenue from services includes rent receivable from unlicensed properties and leased operations of £5m (2021 28 weeks £3m, 2021 52 weeks £6m).

4. SEPARATELY DISCLOSED ITEMS

In addition to presenting information on an IFRS basis, the Group also presents adjusted profit and earnings per share information that excludes separately disclosed items and the impact of any associated tax. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profit and earnings per share information is used by management to monitor business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans.

Judgement is used to determine those items which should be separately disclosed. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.

Separately disclosed items include movements in the valuation of the property portfolio as a result of the revaluation exercise of property, plant and equipment, impairment review of tenant's fixtures and fittings, impairment review of short leasehold and unlicensed properties, impairment review of right-of-use assets, past service cost in relation to the defined benefit pension obligation, VAT refund in relation to gaming duty and costs directly associated with the government enforced closure of pubs as a result of the Covid-19 pandemic.

4. SEPARATELY DISCLOSED ITEMS (CONTINUED)

	Notes	**2022 28 weeks £m**	2021 28 weeks £m	2021 52 weeks £m
Costs directly associated with the Covid-19 pandemic and enforced closure of pubs	a	-	(5)	(4)
Gaming machine settlement	b	-	-	20
Past service cost in relation to the defined benefit pension obligation	c	-	(3)	(3)
Total separately disclosed items recognised within operating costs		**-**	(8)	13
Net profit arising on property disposals		**1**	-	1
Movement in the valuation of the property portfolio:				
- Impairment reversal arising from the revaluation of freehold and long leasehold properties	d	**-**	-	51
- Impairment of freehold and long leasehold tenant's fixtures and fittings	e	**-**	-	(3)
- Impairment of short leasehold and unlicensed properties	f	**-**	-	(2)
- Impairment of right-of-use assets	g	**-**	-	(8)
Net movement in the valuation of the property portfolio		**-**	-	38
Total separately disclosed items before tax		**1**	(8)	52
Tax credit/(charge) relating to the above items		**-**	2	(11)
Tax charge relating to change in tax rate	h	**-**	-	(29)
Total separately disclosed items after tax		**1**	(6)	12

Separately disclosed items in the prior period are as follows.

a Costs directly associated with the Covid-19 pandemic primarily relate to the disposal of stock items at site and within distribution depots that are beyond usable dates as a result of the Government enforced closure of pubs during periods of local and national lockdown. These costs are not considered to be part of normal trading activity.

b The income of £20m recognised relates to a long-standing claim with HMRC, relating to VAT on gaming machines post 2005 and follows on from an earlier settlement regarding the pre 2005 period. A decision of a First-Tier tribunal during the prior period in relation to the case of the Rank Group plc against HMRC for the post 2005 period, was given in favour of the taxpayers with HMRC subsequently confirming it would not appeal against this decision and would pay valid claims. As a result, the Group resubmitted a claim for the period 2005 to 2012 for VAT on gaming machine income. An estimate of the amount receivable, including interest was therefore recognised in the 52 weeks ended 25 September 2021.

c On 20 November 2020, the High Court ruled that pension schemes would need to revisit individual transfer payments since 17 May 1990 to check if any additional value is due as a result of guaranteed minimum pensions (GMPs) equalisition. This latest judgement followed on from the ruling regarding GMPs on 26 October 2018 and requires that schemes make a top-up payment to any member who exercised their statutory right to transfer benefits to an alternative scheme. The top-up payment should be the shortfall between the original transfer payments and what would have been paid if benefits had been equalised at the time, with interest in line with bank base rate plus 1% each year. The past service cost recognised is an estimate of the impact to the Group's schemes as a result of this ruling.

4. SEPARATELY DISCLOSED ITEMS (CONTINUED)

- d Impairment reversal arising from the Group's revaluation of its freehold and long leasehold pub estate where the recoverable amount of the properties exceeds their carrying values (see note 9).
- e Impairment of freehold and long leasehold tenant's fixtures and fittings where their carrying values exceed their recoverable amount (see note 9).
- f The impairment of short leasehold and unlicensed properties where the carrying values of the properties exceeded their recoverable amount (see note 9).
- g The impairment of right-of-use assets where their carrying values exceeded their recoverable amount (see note 10).
- h A deferred tax charge was recognised following the substantive enactment of legislation which increased the UK standard rate of corporation tax from 19% to 25% from 1 April 2023.

5. GOVERNMENT GRANTS

Local Authority grants
Following the outbreak of the Covid-19 global pandemic in early 2020 and the subsequent enforced closure of the business, the Mitchells & Butlers Group (MAB), under the Temporary Framework for State Aid for Covid-19 Reponses (TF), has received a number of different areas of support from both local and central Government in the UK and also Germany. During the prior period, the Group applied for various Local Authority grants as a result of both local and national restrictions that required pubs and restaurants to close. Under these schemes, businesses in the retail, hospitality and leisure sectors in England and Germany were entitled to one-off cash grants for each business impacted. The maximum amount the Group was able to claim was £10.9m as a result of the State Aid cap. However, following the EU Court ruling on State Aid aggregation, it has now become clear that aid provided to a Group via different countries, does not require aggregation for the purposes of the State Aid cap provided there is sufficient autonomy between subsidiaries operating in different countries. As a result, the Group has sufficient headroom to recognise further support, albeit subject to the individual caps applicable in both the UK and Germany. This has resulted in the recognition of an additional £2m of income in the current period.

Following the outbreak of the Omicron variant of Covid-19 in the UK in November 2021, the Government introduced some further grants to help support businesses in the leisure and hospitality sectors. Under this scheme, the maximum amount the Group was able to claim was £1.3m.

German Government grants
During the prior period, the Group was entitled to receive government assistance in Germany as a result of Covid-19 in relation to the pubs and restaurants that are operated there. Assistance was received in relation to staff wages and salaries under Kurzarbeit. In addition the German Government provided grants to assist with loss of profits during enforced closure periods under the November 2020 Support and December 2020 Support schemes, as well as the Fixed Cost Bridging Aid scheme. These grants all fell outside of the Temporary Framework and were therefore excluded from the State Aid maximum rules. Following the impact of the Omicron variant in December 2021, further grant claims have been made in the current period for costs incurred during periods of significantly lower sales under an extension of the Bridging Aid scheme.

Apprenticeship incentives
The Group is entitled to claim £1,000 for each apprentice employed, where they are aged 16 to 18, or under 25 and meet certain other criteria.

As part of its response to the Covid-19 pandemic, the UK Government introduced a scheme to enable an employer to receive up to an additional £3,000 per apprentice, where the apprentice commenced employment between 1 August 2020 and 31 January 2022. The payment is phased with amounts due in equal instalments at 90 days and 365 days after employment commenced and is recognised on receipt of cash.

Coronavirus Job Retention Scheme (CJRS)
Under this scheme, HMRC reimbursed up to 80% of the wages of certain employees who had been furloughed. The scheme was designed to compensate for staff costs, so amounts received were recognised in the income statement over the same period as the costs to which they related. In the prior period income statement, operating costs are shown net of grant income received. The scheme commenced on 20 March 2020 and continued until 30 September 2021.

5. GOVERNMENT GRANTS (CONTINUED)

The impact of grants received on the income statement is as follows:

Government grant scheme	Income statement line impact	**2022 28 weeks £m**	2021 28 weeks £m	2021 52 weeks £m
Local Authority Grants (UK and Germany)	Revenue – other	**3**	-	11
Grants for loss of profits in Germany	Revenue – other	**1**	-	14
Apprenticeship incentives	Revenue – other	**1**	-	-
Coronavirus Job Retention Scheme	Operating costs before separately disclosed items	**-**	175	210
Government assistance for wages and salaries in Germany (Kurzarbeit)	Operating costs before separately disclosed items	**-**	-	9
Total Government grants received		**5**	175	244

Business rates
In addition to the grants received above, during a prior period, the UK Government announced 100% rate relief for all pubs and restaurants for the business rates year 2020/2021, covering the period from 1 April 2020 to 31 March 2021. During the prior period, the UK Government announced an additional 3 months of 100% business rates relief to cover 1 April 2021 to 30 June 2021 for properties in England. Following this, business rates have been discounted by two-thirds from 1 July 2021 until 31 March 2022 in England subject to £2m cap for the Group's English properties. There has also been an extension of 100% rates relief for hospitality businesses in Scotland and Wales until 31 March 2022. The impact in the current period, across all sites within the UK, is an estimated saving of £5m (2021 28 weeks £51m, 2021 52 weeks £75m).

VAT
The Group has also benefitted from a reduction in the rate of VAT from 20% to 5% on non-alcoholic sales which was introduced by the UK Government on 15 July 2020 and continued until 30 September 2021. Following this a rate of 12.5% applied for the subsequent six months until 31 March 2022. The estimated impact of this on food and drink revenue in the current period is £43m (2021 28 weeks £18m, 2021 52 weeks £81m).

6. FINANCE COSTS AND INCOME

	2022 28 weeks £m	2021 28 weeks £m	2021 52 weeks £m
Finance costs			
Interest on securitised debt	**(52)**	(54)	(98)
Interest on other borrowings	**(2)**	(4)	(7)
Interest on lease liabilities	**(9)**	(9)	(17)
Total finance costs	**(63)**	(67)	(122)
Finance income			
Interest receivable – cash	-	-	2
Net pensions finance charge (note 12)	**(1)**	(1)	(3)

7. TAXATION

The taxation charge for the 28 weeks ended 9 April 2022 has been calculated by applying an estimate of the annual effective tax rate before separately disclosed items of 20.5% (2021 28 weeks, 17.5%). The annual effective tax rate for the current period is higher than the statutory rate of 19.0% due to adjustments in respect of prior periods.

Tax (charge)/credit in the income statement	**2022 28 weeks £m**	2021 28 weeks £m	2021 52 weeks £m
Current tax:			
- UK corporation tax	**-**	-	(2)
- Amounts over provided in prior periods	**-**	-	4
Total current tax credit	**-**	-	2
Deferred tax:			
- Origination and reversal of temporary differences	**(10)**	38	8
- Effect of changes in UK tax rate	**-**	-	(29)
- Adjustments in respect of prior periods	**(1)**	(3)	(4)
Total deferred tax (charge)/credit	**(11)**	35	(25)
Total tax (charge)/credit in the income statement	**(11)**	35	(23)
Further analysed as tax relating to:			
Profit before separately disclosed items	**(11)**	33	17
Separately disclosed items	**-**	2	(40)
	(11)	35	(23)

Tax relating to items recognised in other comprehensive income/(expense)	**2022 28 weeks £m**	2021 28 weeks £m	2021 52 weeks £m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
- Unrealised losses due to revaluations – revaluation reserve	**-**	-	(117)
- Unrealised gains due to revaluations – retained earnings	**-**	-	16
- Rolled over and held over gains – retained earnings	**-**	-	(20)
- Remeasurement of pension liabilities	**(7)**	(1)	24
	(7)	(1)	(97)
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges	**(19)**	(13)	(4)
Total tax charge recognised in other comprehensive income	**(26)**	(14)	(101)

The tax charge in the interim financial statements is wholly attributable to deferred tax as the benefit of tax losses brought forward and enhanced capital allowance claims are expected to reduce the corporation tax payable for the 52 weeks ended 24 September 2022 to £nil.

The Finance Act 2021 increased the main rate of corporation tax from 19% to 25% from 1 April 2023. The effect of this change has been reflected in the closing deferred tax balances at 25 September 2021 and 9 April 2022. This change was not reflected in the deferred tax balances at 10 April 2021 as the rate increase had not been substantively enacted at the interim balance sheet date.

8. EARNINGS/(LOSS) PER SHARE

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

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

Adjusted earnings/(loss) per ordinary share amounts are presented before separately disclosed items (see note 4) in order to allow a better understanding of the adjusted trading performance of the Group.

The number of shares used for the earnings/(loss) per share calculations are as follows:

	2022 28 weeks million	2021 28 weeks million	2021 52 weeks million
Basic weighted average number of ordinary shares	**596**	500	566
Effect of dilutive potential ordinary shares:			
- Contingently issuable shares	**1**	-	1
- Other share options	**-**	-	-
Diluted weighted average number of shares	**597**	500	567

At 9 April 2022, 2,991,909 (2021 28 weeks 3,144,778, 2021 52 weeks 800,570) share options were outstanding that could potentially dilute basic EPS in the future but were not included in the calculation of diluted EPS as they are anti-dilutive for the periods presented.

The profits/(losses) used for the earnings/(loss) per share calculations are as follows:

	2022 28 weeks £m	2021 28 weeks £m	2021 52 weeks £m
Profits/(losses) for the period	**46**	(165)	(65)
Separately disclosed items net of tax	**(1)**	6	(12)
Adjusted profit/(loss) for the period	**45**	(159)	(77)

	2022 28 weeks pence	2021 28 weeks pence	2021 52 weeks pence
Basic earnings/(loss) per share			
Basic earnings/(loss) per share	**7.7**	(33.0)	(11.5)
Separately disclosed items net of tax per share	**(0.1)**	1.2	(2.1)
Adjusted basic earnings/(loss) per share	**7.6**	(31.8)	(13.6)
Diluted earnings/(loss) per share			
Diluted earnings/(loss) per share	**7.7**	(33.0)	(11.5)
Adjusted diluted earnings/(loss) per share	**7.6**	(31.8)	(13.6)

9. PROPERTY, PLANT AND EQUIPMENT

Net book value	**2022 9 April £m**	2021 10 April £m	2021 25 September £m
At beginning of period	**4,442**	4,305	4,305
Additions	**60**	13	43
Net increase as a result of the revaluation and impairment review	-	-	196
Disposals	**(3)**	(2)	(3)
Depreciation provided during the period	**(49)**	(53)	(98)
Exchange differences	-	-	(1)
At end of period	**4,450**	4,263	4,442

Revaluation and impairment
The freehold and long leasehold licensed properties were valued at market value as at 25 September 2021 by CBRE, independent Chartered Surveyors. The Group has performed an assessment for material changes in value of its freehold and long leasehold properties at the interim date. As the Group's performance is following the expected post Covid-19 recovery profile and the property multiples adopted at 25 September 2021 are supported by the current property market, there is no requirement to perform a revaluation at the interim date.

Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment provisions. During the current period, in accordance with IAS 36, the Group has performed an assessment for indicators of impairment of these categories of property, plant and equipment, together with right-of-use assets (note 10). With the exception of specific trading periods across December 2021 and January 2022, which were impacted by the Omicron variant, performance is in line with the overall Group forecast used in the impairment review at 25 September 2021. In addition, the impact of a change in the discount rate is not material. Therefore, there are no indicators that lead the Group to conclude that a further review of impairment is required.

As a result of the above review, no revaluation or impairment has been recognised (2021 28 weeks £nil, 2021 52 weeks £196m net revaluation/impairment increase).

Goodwill and other intangible assets
Goodwill and other intangible assets at 9 April 2022 comprise goodwill of £1m (10 April 2021 £2m, 25 September 2021 £2m) and computer software of £12m (10 April 2021 £12m, 25 September 2021 £11m).

Capital commitments
The total amount contracted for but not provided in the financial statements was £15m (10 April 2021 £6m, 25 September 2021 £10m).

10. LEASES

Right-of-use assets

Net book value	2022 9 April £m	2021 10 April £m	2021 25 September £m
At start of period	**379**	402	402
Additions	**17**	24	25
Impairment	-	-	(8)
Disposals[a]	**(8)**	-	(1)
Depreciation provided during the period	**(19)**	(20)	(37)
Foreign currency movements	**(1)**	(1)	(2)
At end of period	**368**	405	379

a. Disposals relate to leasehold properties where the freehold has been purchased, and therefore, the right-of-use assets and corresponding lease liabilities (see note 11) have been disposed. The freehold purchases are reflected in property, plant and equipment additions (see note 9).

Impairment review of right-of-use assets

As described in note 9, the Group has reviewed its short leasehold properties and right-of-use assets for indicators of impairment at the interim date, and determined that there are no indicators that lead the Group to conclude that a further review of impairment is required.

Lease liabilities

An analysis of lease liabilities recognised are as follows:

	9 April 2022 £m	10 April 2021 (restated*) £m	25 September 2021 £m
Current liabilities	**46**	68	50
Non current liabilities	**437**	473	463
Total lease liabilities	**483**	541	513

**** Restatement - amendments to IFRS 16: Covid-19-Related Rent Concessions***

During the prior period, the Group reached an agreement with a number of landlords to defer rent payments or waive a portion of rent that was due during periods of enforced pub closure as a result of Covid-19. The agreements impact periods from March 2020 through to November 2021.

In the Annual Report and Account 2021, the Group early adopted the requirements of Amendments to IFRS 16: Covid-19-Related Rent Concessions. As a result of early adopting these requirements, rent waivers have been accounted for as if the change was not a lease modification. This resulted in an increase of £1m to opening retained earnings, where the waiver relates to the previous financial period and £1m credit in the current period income statement, where the waiver relates to the current financial period. The adoption of this amendment had not been made at the time of preparation of the 2021 interim information and as such the lease liabilities at 10 April 2021 have been restated with a £1m reduction, and a corresponding £1m increase to retained earnings.

11. BORROWINGS AND NET DEBT

Borrowings

	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
Current			
Securitised debt	**113**	107	110
Liquidity facility	**-**	58	-
Unsecured revolving credit facilities	**(1)**	-	(1)
Overdraft	**29**	3	25
Total current	**141**	168	134
Non-current			
Securitised debt	**1,368**	1,477	1,416
Total borrowings	**1,509**	1,645	1,550

Net debt

	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
Cash and cash equivalents	**223**	144	252
Overdraft	**(29)**	(3)	(25)
Cash and cash equivalents as presented in the cashflow statement[a]	**194**	141	227
Securitised debt	**(1,481)**	(1,584)	(1,526)
Unsecured revolving credit facility	**1**	-	1
Liquidity facility	**-**	(58)	-
Derivatives hedging balance sheet debt[b]	**33**	29	28
Net debt excluding leases	**(1,253)**	(1,472)	(1,270)
Lease liabilities (restated – see note 10)	**(483)**	(541)	(513)
Net debt including leases	**(1,736)**	(2,013)	(1,783)

a Cash and cash equivalents in the cash flow statement are presented net of an overdraft within a cash pooling arrangement, to which the Group has a legal right of offset.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months is disclosed as other cash deposits. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management.

11. BORROWINGS AND NET DEBT (CONTINUED)

Net debt
Net debt comprises cash and cash equivalents, cash deposits net of borrowings and discounted lease liabilities. Net debt is presented on a constant currency basis, due to the inclusion of the fixed exchange rate component of the cross currency swap. Cash flows on the interest rate and cross currency swaps are shown within interest paid in the Group cash flow statement.

Securitised debt
On 13 November 2003, the Group refinanced its debt by raising £1,900m through a securitisation of the majority of its UK pubs and restaurants owned by Mitchells & Butlers Retail Limited. On 15 September 2006 the Group completed a further debt ('tap') issue to borrow an additional £655m and refinance £450m of existing debt at lower cost. The notes are secured on the majority of the Group's property and future income streams therefrom. All of the floating rate notes are hedged using interest rate swaps which fix the interest rate payable.

The overall cash interest rate payable on the loan notes is 6.3% (10 April 2021 6.3%, 25 September 2021 6.3%) after taking account of interest rate hedging and the cost of the financial guarantee provided by Ambac Assurance UK Limited (Ambac). Ambac acts as a guarantor of the Group's obligations to repay interest and principal on the loan notes. In the event that the Group is unable to pay such amounts the guarantee is limited to the Class A1N, A3N, A4 and Class AB note holders only.

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.

During the prior period, and as a result of the ongoing Covid-19 pandemic, revised arrangements regards the secured financing structure were agreed with the controlling creditor of the securitisation and the securitisation trustee. As a result, a series of amendments and waivers to the securitisation covenants were obtained, as detailed in the Annual Report and Accounts 2021.

At 9 April 2022, Mitchells & Butlers Retail Limited had cash and cash equivalents of £87m (10 April 2021 £36m, 25 September 2021 £66m). Of this amount £1m (10 April 2021 £1m, 25 September 2021 £1m), 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.

11. BORROWINGS AND NET DEBT (CONTINUED)

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

	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
	1,527	1,647	1,647
Principal repaid during the period	**(56)**	(52)	(107)
Net principal receipts on cross currency swap	**2**	1	3
Exchange on translation of dollar loan notes	**5**	(15)	(16)
Principal outstanding at end of period	**1,478**	1,581	1,527
Deferred issue costs	**(3)**	(3)	(3)
Accrued interest	**6**	6	2
Carrying value at end of period	**1,481**	1,584	1,526

Liquidity facility
Under the terms of the securitisation, the Group holds a liquidity facility of £295m provided by two counterparties.

During the prior period, as a result of the Covid-19 pandemic, the Group obtained an extension to an existing waiver to facilitate drawings of up to £110m in total under the liquidity facility, providing the Group with additional facilities in order to meet payments of principal and interest, provided such drawings were repaid in full by 15 December 2021.

The amount drawn at 9 April 2022 is £nil (10 April 2021 £58m, 25 September 2021 £nil).

Unsecured revolving credit facilities
At the start of the prior period the Group held unsecured committed revolving credit facilities totalling £150m (comprising three £50m bilateral facilities) and an uncommitted overdraft facility of £5m, available for general corporate purposes. The unsecured committed revolving credit facilities were fully drawn at £150m during the prior period and subsequently repaid and cancelled on 12 March 2021. These facilities were replaced with a single unsecured committed revolving credit facility of £150m. The new committed facility expires on 14 February 2024. The amount drawn at 9 April 2022 is £nil (10 April 2021 is £nil, 25 September 2021 £nil).

Term loan backed by the Coronavirus Large Business Interruption Loan Scheme
In June 2020, the group entered into two new facilities of £50m each, backed by the UK Government Coronavirus Large Business Interruption Loan Scheme. During the prior period these facilities were repaid and cancelled.

11. BORROWINGS AND NET DEBT (CONTINUED)

Movement in net debt excluding leases

	2022 28 weeks £m	2021 28 weeks £m	2021 52 weeks £m
Net (decrease)/increase in cash and cash equivalents	**(32)**	(16)	70
Add back cash flows in respect of other components of net debt:			
- Repayment of principal in respect of securitised debt	**56**	52	107
- Principal receipts on cross currency swap	**(9)**	(8)	(17)
- Principal payments on cross currency swap	**7**	7	14
- Repayment of term loan	**-**	100	100
- Repayment on unsecured revolving credit facilities	**-**	10	10
- (Drawdown)/repayment of liquidity facility	**-**	(49)	9
Decrease in net debt arising from cash flows	**22**	96	293
Movement in capitalised debt issue costs net of accrued interest	**(4)**	(4)	1
Decrease in net debt excluding leases	**18**	92	294
Opening net debt excluding leases	**(1,270)**	(1,563)	(1,563)
Foreign exchange movements on cash	**(1)**	(1)	(1)
Closing net debt excluding leases	**(1,253)**	(1,472)	(1,270)

Movement in lease liabilities

	2022 28 weeks £m	2021 28 weeks £m	2021 52 weeks £m
Opening lease liabilities	**(513)**	(541)	(541)
Covid-19 rent concessions[a]	**-**	1	2
Additions[b]	**(15)**	(22)	(22)
Interest charged during the period	**(9)**	(9)	(17)
Repayment of principal	**34**	19	41
Payment of interest	**11**	9	21
Disposals[c]	**8**	-	1
Foreign currency movements	**1**	2	2
Closing lease liabilities	**(483)**	(541)	(513)

a During the prior period the Group reached agreement with a number of landlords to waive a portion of rent that was due during periods of enforced pub closure as a result of Covid-19 (see note 10).

b Additions to lease liabilities include new leases and lease extensions or rent reviews relating to existing leases.

c Disposals relate to leasehold properties where the freehold has been purchased, and therefore, the right-of-use assets (see note 10) and corresponding lease liabilities have been disposed.

12. PENSIONS

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

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

Measurement of scheme assets and liabilities

MABEPP – buy-in policy transaction

During the period, the Trustees of the MABEPP entered a Bulk Purchase Agreement (BPA) with Legal and General Assurance Society Limited. The resulting policy is set up to provide the plan with sufficient funding to cover all known member benefits of the scheme. However, the liability for, and administration of pension payments is retained by the MABEPP Trustee.

The transaction has been treated as a "Buy-in" and as a result the value of the scheme's assets have been set equal to the scheme's liabilities, given it is set up to fund all known member benefits. All movements in the assets and liabilities of the MABEPP are recognised within other comprehensive income.

Following on from the transaction, the remaining scheduled contribution payments for the MABEPP are being paid into a "Blocked Account" from which the funds may be used by the Trustee or may be returned to the Company. As a result the payments are no longer recognised as a minimum funding requirement and any balance in the Blocked Account has been recognised within other receivables. The amount recognised as at 9 April 2022 is £3m.

Actuarial valuation

The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the latest full actuarial valuation carried out at 31 March 2019 and updated by the schemes' independent qualified actuaries to 9 April 2022. Schemes' assets are stated at market value at 9 April 2022 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 schemes' liabilities are discounted using market yields at the end of the period on high quality corporate bonds.

The principal financial assumptions used at the balance sheet date have been updated to reflect changes in market conditions in the period and are as follows:

	2022 **9 April**	2021 10 April	2021 25 September
Discount rate	**2.9%**	2.0%	1.9%
Pensions increases – RPI max 5%	**3.4%**	3.1%	3.3%
Inflation – RPI	**3.7%**	3.2%	3.5%

The mortality assumptions were reviewed following the 2019 actuarial valuation. A summary of the average life expectancies assumed are as follows:

	2022 **9 April**	2021 10 April	2021 25 September
Implied life expectancies from age 65:			
- MABPP male currently 45	**22.7 years**	22.7 years	22.7 years
- MABEPP male currently 45	**24.5 years**	24.5 years	24.5 years
- MABPP female currently 45	**25.3 years**	25.3 years	25.3 years
- MABEPP female currently 45	**26.3 years**	26.3 years	26.3 years

12. PENSIONS (CONTINUED)

Minimum funding requirements
The results of the 2019 actuarial valuation showed a funding deficit of £293m, using a more prudent basis to discount the schemes' liabilities than is required by IAS 19 (revised). As a result of the 2019 actuarial valuation, the Company subsequently agreed recovery plans for both the Executive and Main schemes in order to close the funding deficit in respect of its pension liabilities. The recovery plans show an unchanged level of cash contributions with no extension to the agreed payment term (£45m per annum indexed with RPI from 1 April 2016 subject to a minimum increase of 0% and maximum of 5%, until 31 March 2023). In a prior period, given the Covid-19 outbreak, the Company agreed with the Trustee that contributions would be suspended for the months of April to September 2020, with these being added onto the end of the agreed recovery plan so that these contributions will be paid in the second half of FY2023. Subsequent to the national lockdown which commenced on 5 January 2021, the Company agreed a further deferral of contributions covering January to March 2021 with these contributions paid in full during April 2021.

This agreement is subject to review following completion of the current ongoing actuarial valuation which commenced in March 2022.

Under IFRIC 14, an additional liability is recognised, such that the overall pension liabilities at the period end reflect the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actuarial deficit. As set out above, following the BPA transaction, contributions for the MABEPP are being paid into the Blocked Account and are therefore no longer recognised as a minimum funding requirement. The additional liability recognised at 9 April 2022 relates only to the MABPP.

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	**2022 28 weeks**	2021 28 weeks	2021 52 weeks
	£m	£m	£m
Operating profit			
Employer contributions (defined contribution plans)	**(8)**	(6)	(13)
Administrative costs (defined benefit plans)	**(2)**	(2)	(5)
Charge to operating profit before adjusted items	**(10)**	(8)	(18)
Past service cost (see note 4)	**-**	(3)	(3)
Charge to operating profit	**(10)**	(11)	(21)
Finance costs			
Net pensions finance income on actuarial surplus	**4**	3	5
Additional pensions finance charge due to minimum funding	**(5)**	(4)	(8)
Net pensions finance charge	**(1)**	(1)	(3)
Total charge	**(11)**	(12)	(24)

Group statement of comprehensive income	**2022 28 weeks**	2021 28 weeks	2021 52 weeks
	£m	£m	£m
(Loss)/return on scheme assets and effects of changes in assumptions	**(58)**	27	19
Movement in pension liabilities due to minimum funding	**87**	(19)	(10)
Remeasurement of pension liabilities	**29**	8	9

12. PENSIONS (CONTINUED)

Group balance sheet	2022 9 April £m	2021 10 April £m	2021 25 September £m
Fair value of scheme assets	**2,395**	2,651	2,808
Present value of scheme liabilities	**(2,058)**	(2,311)	(2,438)
Actuarial surplus in the schemes	**337**	340	370
Additional liability recognised due to minimum funding	**(431)**	(518)	(513)
Total pension liabilities[a]	**(94)**	(178)	(143)
Associated deferred tax asset	**20**	34	31

a. The total pension liabilities of £94m (10 April 2021 £178m, 25 September 2021 £143m) is presented as £41m current liabilities (10 April 2021 £64m, 25 September 2021 £51m) and £53m non-current liabilities (10 April 2021 £114m, 25 September 2021 £92m).

Movements in total pension liabilities are analysed as follows:

	2022 9 April £m	2021 10 April £m	2021 25 September £m
At beginning of period	**(143)**	(193)	(193)
Past service cost (see note 4)	**-**	(3)	(3)
Administration costs	**(2)**	(2)	(5)
Net pensions finance charge	**(1)**	(1)	(3)
Employer contributions	**23**	13	52
Remeasurement of pension liabilities	**29**	8	9
At end of period	**(94)**	(178)	(143)

13. 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.

The Group's derivative financial instruments are disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value:

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

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

	Level 1	Level 2	Level 3	Total
At 9 April 2022	£m	£m	£m	£m
Financial assets				
Currency swaps	**-**	**34**	**-**	**34**
Share options	**-**	**-**	**1**	**1**
Financial liabilities				
Interest rate swaps	**-**	**(135)**	**-**	**(135)**
	-	**(101)**	**1**	**(100)**

	Level 1	Level 2	Level 3	Total
At 10 April 2021	£m	£m	£m	£m
Financial assets:				
Currency swaps	-	28	-	28
Share options	-	-	1	1
Financial liabilities:				
Interest rate swaps	-	(230)	-	(230)
	-	(202)	1	(201)

	Level 1	Level 2	Level 3	Total
At 25 September 2021	£m	£m	£m	£m
Financial assets:				
Currency swaps	-	28	-	28
Share options	-	-	1	1
Financial liabilities:				
Interest rate swaps	-	(209)	-	(209)
	-	(181)	1	(180)

The fair value of interest rate and currency swaps is the estimated amount which the Group could expect to pay or receive on termination of the agreements. These amounts are based on quotations from counterparties which approximate to their fair market value and take into consideration interest and exchange rates prevailing at the balance sheet date.

Borrowings are valued as a level 1 financial instrument. The securitised debt has been valued using period end quoted offer prices for each tranche. The securitised debt is traded on an active market, so the market value represents the fair value of this debt. The current value of the overdraft represents its fair value. The carrying value and fair value of borrowings is as follows:

	9 April 2022		10 April 2021		25 September 2021	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Borrowings (note 11)	**(1,509)**	(1,422)	(1,645)	(1,598)	(1,550)	(1,516)

All other financial assets and liabilities are either short-term in nature or their book values approximate to fair values.

14. RELATED PARTY TRANSACTIONS

During the period, the Group has held a number of property lease agreements with its associate companies, 3Sixty Restaurants Limited and Fatboy Pub Company Limited.

The Group has entered into the following transactions with the associates:

	3Sixty Restaurants Limited			Fatboy Pub Company Limited		
	2022 28 weeks £000	2021 28 weeks £000	2021 52 weeks £000	2022 28 weeks £000	2021 28 weeks £000	2021 52 weeks £000
Rent charged	478	336	666	50	-	37
Sales of goods and services	448	85	447	(41)	2	5
	926	421	1,113	9	2	42

The balance due from 3Sixty Restaurants Limited at 9 April 2022 was £284,000 (10 April 2021 £535,000, 25 September 2021 £691,000).

The balance due from Fatboy Pub Company at 9 April 2022 was £44,000 (10 April 2021 £11,000, 25 September 2021 £57,000), net of a provision of £179,000 (10 April 2021 £179,000, 25 September 2021 £179,000).

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

Alternative Performance Measures

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

The Group's results are presented both before and after separately disclosed items. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the condensed income statement with details of separately disclosed items provided in note 4.

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

APMs used to explain and monitor Group performance include:

APM	Definition	Source
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group condensed income statement
Adjusted EBITDA	Annualised EBITDA on a 52 week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group condensed income statement
EBITDA before adjusted items	EBITDA before separately disclosed items.	Group condensed income statement
Operating profit/(loss)	Earnings/(loss) before interest and tax.	Group condensed income statement
Adjusted operating profit/(loss)	Operating profit/(loss) before separately disclosed items.	Group condensed income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal.	Group condensed income statement
Adjusted earnings/(loss) per share (EPS)	Earnings/(loss) per share using profit before separately disclosed items.	Note 8
Net debt	Net debt comprises cash and cash equivalents, cash deposits net of borrowings and discounted lease liabilities. Presented on a constant currency basis due to the inclusion of the fixed exchange rate component of the cross currency swap.	Note 11
Net debt : Adjusted EBITDA	The multiple of net debt including lease liabilities, as per the balance sheet compared against 52 week EBITDA before separately disclosed items which is a widely used leverage measure in the industry.	Note 11 Group condensed income statement

A. Like-for-like sales

The sales comparisons for HY have been compared directly to the sales in FY 2019, being the last HY pre Covid-19. HY 2020 and 2021 are not considered an appropriate comparison for trading performance due to the significant disruption caused to trade due to Covid-19 related restrictions and closures. A comparison to FY 2019 performance is the same approach as taken at FY 2021 and, although we note its limitations, has been used to give the reader an insight into performance against the most recent HY not to be impacted by Covid-19.

Sales of all UK managed sites that were trading in the two periods being compared, are expressed as a percentage. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals.

	Source	**2022 28 weeks £m**	2019 28 weeks £m	**2022 vs. 2019** LFL %
Reported revenue	Condensed income statement	**1,159.5**	1,185.5	**(2.2)%**
Less non like-for-like sales and income		**(154.9)**	(190.5)	**18.7%**
Like-for-like sales		**1,004.6**	995.0	**1.0%**

Drink sales

	Source	**2022 28 weeks £m**	2019 28 weeks £m	**2022 vs. 2019** LFL %
Reported drink revenue	Note 3	**483.9**	536.9	**(9.9)%**
Less non like-for-like drink sales		**(56.0)**	(77.4)	**27.6%**
Drink like-for-like sales		**427.9**	459.5	**(6.9)%**

Food sales

	Source	**2022 28 weeks £m**	2019 28 weeks £m	**2022 vs. 2019** LFL %
Reported food revenue	Note 3	**627.3**	609.4	**2.9%**
Less non like-for-like food sales		**(83.3)**	(100.5)	**17.1%**
Food like-for-like sales		**544.0**	508.9	**6.9%**

Other sales

	Source	**2022 28 weeks £m**	2019 28 weeks £m	**2022 vs. 2019** LFL %
Reported other revenue	Note 3	**48.3**	39.2	**23.2%**
Less non like-for-like other sales		**(15.6)**	(12.6)	**(23.8)%**
Other like-for-like sales		**32.7**	26.6	**22.9%**

B. Adjusted operating profit/(loss)

Operating profit/(loss) before separately disclosed items as set out in the Group Condensed Income Statement. Separately disclosed items are those which are separately identified by virtue of their size or incidence (see note 4). Excluding these items allows a better understanding of the trading of the Group.

	Source	**2022 28 weeks £m**	2021 28 weeks £m	Year-on -year %
Operating profit/(loss)	Condensed income statement	**121**	(132)	**191.7%**
Separately disclosed items	Note 4	**(1)**	8	
Adjusted operating profit/(loss)		**120**	(124)	**196.8%**
Reported revenue 28 weeks	Condensed income statement	**1,159**	219	**429.2%**
Adjusted operating margin		**10.4%**	(56.6)%	**67.0ppts**

C. Adjusted earnings/(loss) per share

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

	Source	**2022 28 weeks £m**	2021 28 weeks £m	Year-on -year %
Profit/(loss) for the period	Condensed income statement	**46**	**(165)**	**127.9%**
Add back separately disclosed items	Condensed income statement	**(1)**	**6**	
Adjusted profit/(loss)		**45**	**(159)**	**128.3%**
Basic weighted average number of shares	Note 8	**596**	**500**	**19.2%**
Adjusted earnings/(loss) per share		**7.6p**	**(31.8)p**	**123.9%**

D. Net Debt: Adjusted EBITDA

The multiple of net debt as per the balance sheet compared against 52 week EBITDA before separately disclosed items which is a widely used leverage measure in the industry. From FY 2020, leases are included in net debt following adoption of IFRS16. Adjusted EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

Due to the Covid-19 closure periods in FY 2020 and 2021, we do not have a representative 52 week EBITDA measure to calculate this metric for HY 2021 as a comparative.

	Source	**2022 28 weeks £m**
Net debt	Note 11	**1,736**
Adjusted EBITDA H1	Group condensed income statement	**190**
Adjusted EBITDA prior year H2	Group condensed income statement *	**217**
Adjusted 52 week EBITDA		**407**
Net debt : Adjusted EBITDA		**4.3**

* H2 measures are calculated from the income statement as the measure for the 52 weeks ended 25 September 2021 less the measure for the 28 weeks ended 10 April 2021.