Mitchells & Butlers

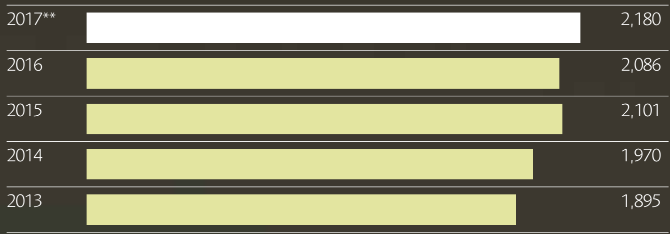
ANNUAL REPORT AND ACCOUNTS 2017

Contents

Financial highlights

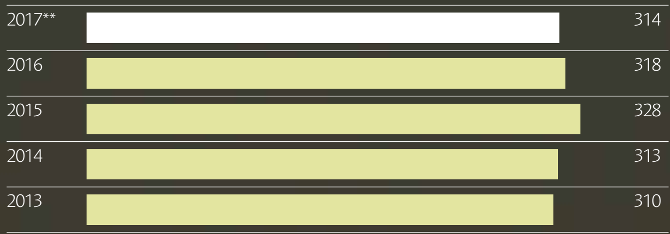
Revenue £m

£2,180m



Adjusted* operating profit £m

£314m



Adjusted* earnings per share pence

34.9p

* The Directors use a number of alternative performance measures (APMs) that are considered critical to aid understanding of the Group's performance. Key measures are explained on pages 140 to 142 of this report.
** FY 2017 was a 53 week year.

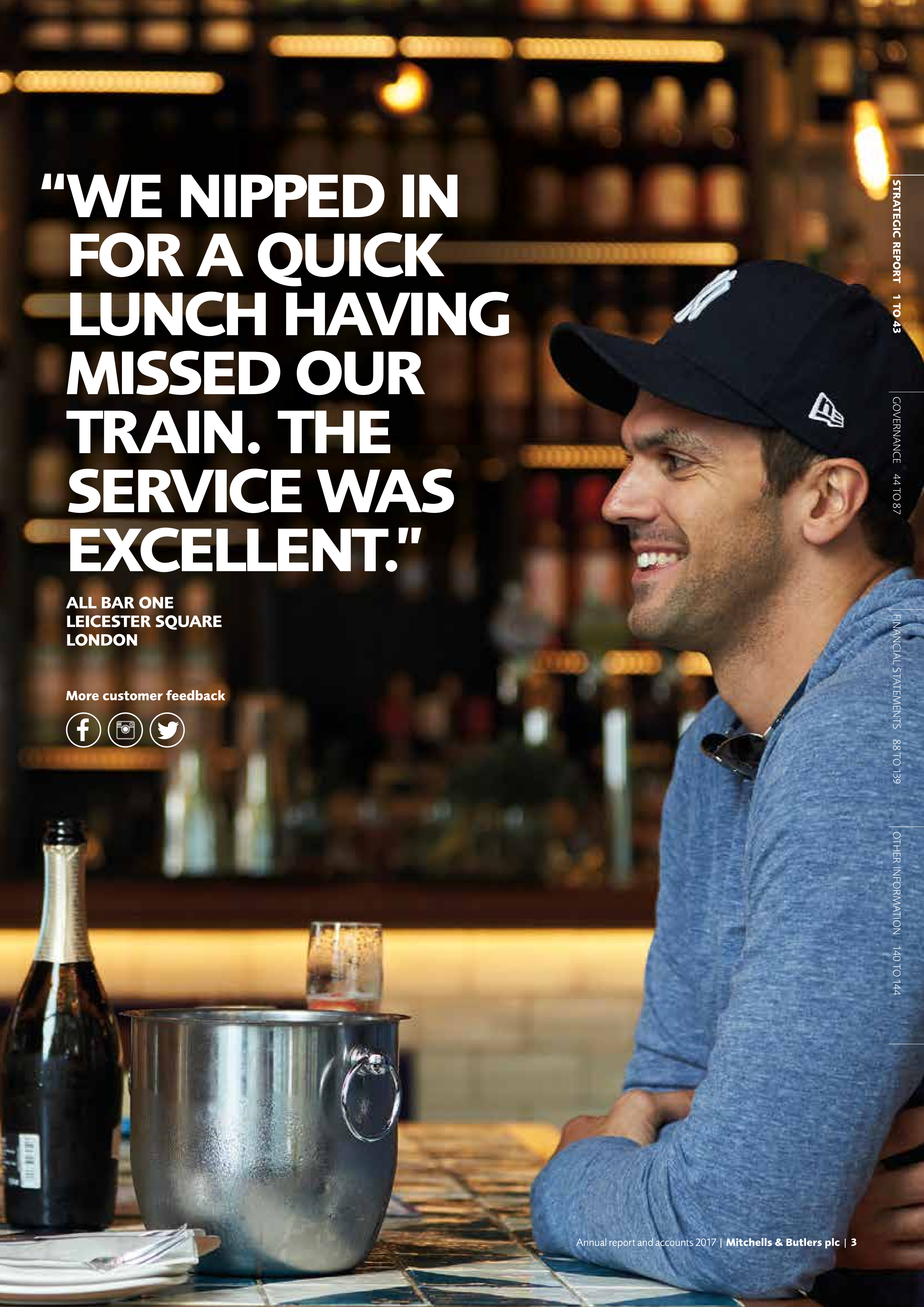
Financial review
See pages 41 to 43

We are a leading operator of managed pubs and restaurants. Our strong portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Crown Carveries, Stonehouse, Vintage Inns, Browns, Castle, Nicholson's, O'Neill's and Ember Inns. In addition, we operate Innkeeper's Lodge hotels in the UK and Alex restaurants and bars in Germany.

Over the last year we have invested £169m on both premiumising our offers and improving the amenity for our guests. This, along with our continued focus on offering excellent guest experiences, has resulted in strong market outperformance.

DON'T JUST TAKE OUR WORD FOR IT. THIS IS WHAT OUR CUSTOMERS THINK…

All Bar One, Leicester Square, reopened late in 2016. The bar is full of style, with vibrant décor and comfortable surroundings split over two floors. The first floor features the main bar, well stocked with our ever-changing wine cellar and collection of perfectly crafted cocktails as well as our Espresso Coffee Bar with lounge style seating. The upstairs mezzanine is perfect to look out on the bustling Leicester Square, with relaxed seating, open plan kitchen and a second cocktail bar.



"WE NIPPED IN FOR A QUICK LUNCH HAVING MISSED OUR TRAIN. THE SERVICE WAS EXCELLENT."

ALL BAR ONE
LEICESTER SQUARE
LONDON

More customer feedback


TODAY'S ALES
Proper Job 4.5%
Ghost Ship 4.5%
Wainwright 4.1%
Pedigree 4.5%
Broadside 4.7%
GIN FESTIVAL

"IT'S OUR REGULAR POST-WORK HAUNT. WE LOVE TRYING THE SELECTION OF ALES WHILE PUTTING THE WORLD TO RIGHTS!"

THE BLACKFRIAR
LONDON

The Blackfriar, part of our Nicholson's collection of historic city centre pubs, is an historic art nouveau grade II masterpiece of a pub built in 1875 on the site of a Dominican friary. The building was designed by architect H. Fuller-Clark and artist Henry Poole, both committed to the free-thinking of the arts and crafts movement. Jolly friars appear everywhere in the pub in sculptures, mosaics and reliefs. It is fortunate that the pub is still here as it was saved from demolition in the 1960s by a campaign led by Sir John Betjeman, the former poet laureate.

More customer feedback

The Ferry Pub and Restaurant, Cookham, is nestled in an idyllic location on the banks of the River Thames. Whether you pop in for a refreshing pint on a summer's day, a scrumptious Sunday roast, or a delicious three-course meal in truly special surroundings, you're sure to leave with a smile on your face. With a diverse selection of carefully developed menus, you'll find everything from tasty light bites and devilish desserts, through to hearty pub food and tempting sharing platters.

"WE MEET HERE FOR A CATCH-UP ONCE A MONTH. THE VIEW IS STUNNING AND THE CHOICE OF FOOD IS GREAT."

THE FERRY PUB AND RESTAURANT
COOKHAM

More customer feedback

The Crown & Greyhound in South London reopened in June 2017 following an extensive refurbishment and extension. It offers a relaxed lunch, an indulgent dinner or lazy brunch, with an enticing and flavoursome menu, focusing on provenance, local suppliers and the freshest of British seasonal ingredients.

Its diverse and explorative drinks range includes well-kept cask ales, craft beers, premium lagers and ciders, a seriously seductive wine list and an exceptional selection of artisan spirits – all served in a laid-back yet vibrant pub atmosphere, complete with authentic interior, outdoor barbecue area and delightful urban beer garden.

More customer feedback

"IT'S OUR REGULAR STOP ON OUR DAILY WALK. IT'S LOVELY JUST TO WATCH THE WORLD GO BY."

THE CROWN & GREYHOUND
DULWICH

BUILDING MOMENTUM THROUGH STRATEGIC FOCUS

I am delighted that we have returned the Group to like-for-like sales growth and are performing ahead of the market.

Bob Ivell
Chairman

This year we have achieved strong progress against the strategic priorities that we identified despite a challenging and uncertain environment. Through this strategic focus we have increased our market share, evidenced through our like-for-like sales[a] outperformance of the market this year and have taken steps to position the Group well for the year ahead.

I am delighted by the increasing momentum in our sales performance during a period which has seen mixed results across the sector. The cost headwinds facing the industry have impacted profits as we expected and our adjusted earnings per share[a] were down 1.4% as a result. However, I am encouraged by the results across the business which show success in the steps being taken to better position the Group in the evolving market.

This year the Directors are recommending the payment of a final dividend of 5.0p per share making a total of 7.5p for the year. Given the uncertain macro environment it is our intention going forward to determine a full year dividend paid only in the form of a final dividend dependent on several factors including both current performance and future prospects.

On behalf of the Board I would like to thank our 46,000 people across the business, without whom the progress made over the course of the year would not be possible. Now, more than ever, our people are demonstrating the ability to adapt to the ever-changing environment we operate in, all the while continuing to delight guests and offer great experiences.

We take our responsibilities to pensioners seriously. In July we reached an agreement on the 2016 triennial pensions valuation with the scheme trustees. This resulted in an unchanged level of cash contributions through to 2023 to eliminate the scheme deficit with a potential additional payment of £13m to be made into escrow in 2024 should further funds be required then. I am delighted that we reached a positive agreement for both the Group and the trustees.

There have been no changes to the Board during the year. I remain pleased with its composition and I believe we have the right balance of skills to drive the business forward.

Our market continues to be challenged by increasing external cost headwinds and macro uncertainty. In this context, we shall remain focused on the identified strategic priorities which best position the Group to grow long-term shareholder value.

Bob Ivell
Chairman

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid understanding of the Group's performance. Key measures are explained on pages 140 to 142 of this report.

Operational highlights

Number of managed sites (at year end)

1,695

2017	1,695
2016	1,768
2015	1,779
2014	1,775
2013	1,589

Average weekly sales per pub (£k)

£23.7k

2017	23.7
2016	22.7
2015	22.6
2014	23.2
2013	22.9

Food sales as a % of total sales

51%

2017	51
2016	51
2015	51
2014	51
2013	51

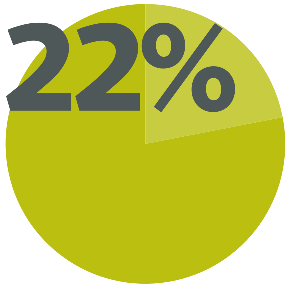
Business review
See pages 14 to 17

FOUR DIVISIONS DRIVING MARKET SHARE

We love building innovative brands and formats and run some of the country's best-known pubs and restaurants. So whether you're in the mood for the perfect steak close to home, or a pint of real ale and some hearty food in a buzzing town centre pub, we've a business to suit every occasion.

CITY

% of total sales



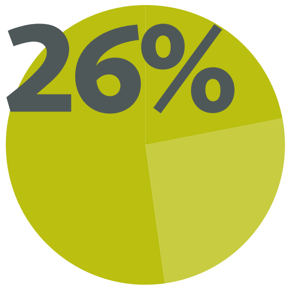
Number of sites

316

Our businesses located in city centre and large town locations.

PREMIUM

% of total sales



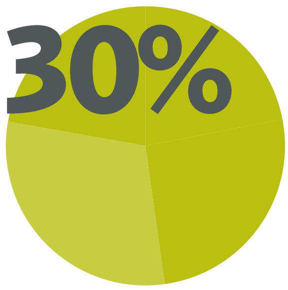
Number of sites

400

Our businesses with high spend per head and food sales.

RESTAURANTS

% of total sales



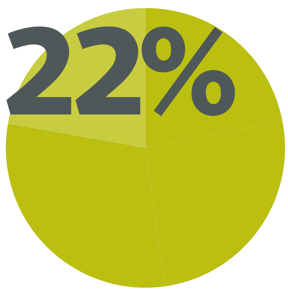
Number of sites

478

Our branded food offers with high food sales.

PUBS

% of total sales



Number of sites

501

Our pub businesses with higher drinks sales as a proportion of total sales.

CITY

Alex 43 sites
If you're out in a German city centre, these classic bars are the perfect places to stop for a beer and a bite to eat.

All Bar One 55 sites
From cocktails to a well-chosen bottle of wine or an excellent meal, you'll find something to suit you in our stylish city bars.

Browns 25 sites
Since the first Browns opened in 1973, it's been providing delicious food and drink and superb service in beautiful surroundings.

Castle 115 sites
If you like a place with real personality, pull up a chair in one of our urban pubs serving the best draught beer and great food.

Nicholson's 77 sites
You'll feel right at home in these traditional city and town centre pubs that have been loved since our first pub opened in 1873.

PREMIUM

Miller & Carter 84 sites
We put everything into pursuing the perfect steak at Miller & Carter so only the finest cuts make it to your plate.

Premium Country 126 sites
Our traditional pubs have been stylishly refurbished to make them the perfect place to find a cosy corner and take time out.

Vintage Inns 189 sites
We manage some of the best country pubs in the UK, all offering modern pub food and outstanding drinks.

RESTAURANTS

Crown Carveries 24 sites
We serve a traditional roast dinner with a great choice of delicious joints every day of the week.

Harvester 208 sites
A welcoming place for families to spend time together, have fun and share the pleasure of good, honest food.

Stonehouse 82 sites
Alongside our traditional carvery, we serve up handmade pizza made with fresh dough; plus burgers and pub classics at a great price.

Toby Carvery 164 sites
We lay on a feast of tender, slow-cooked meats, eight lots of veg including crispy, ruffled roasties and all the trimmings.

PUBS

Ember Inns 147 sites
Relaxed and welcoming suburban pubs. We serve the best cask ales and classic pub food with a twist in stylish environments.

High Street 112 sites
Our High Street pubs are the perfect place for decent food and quality beer – and at prices that put other pubs to shame.

Suburban 242 sites
A collection of the friendliest pubs. What unites these pubs is unbeatable value for money, generosity, and big-hearted service.

WELL PLACED TO DELIVER CONTINUED OUTPERFORMANCE

This year has been a period of strong operational achievement for Mitchells & Butlers with a sustained return to like-for-like sales growth.

Phil Urban
Chief Executive

It is now two years since I became CEO of Mitchells & Butlers, and I feel that we have covered a lot of ground. When new to the role, we were feeling the pain from all the new supply that had opened on our doorsteps over the previous 18 months.

Our sales were declining, we were tracking c.3% behind our competitors as measured by the Peach Tracker, and with unprecedented cost headwinds on the horizon, we knew we had to do something different.

We laid out our three strategic priorities that we felt we needed to address, that we continue to work towards today, namely rebalancing our portfolio; driving a commercial edge to the way we do business; and also instilling an innovation ethos across all that we do.

In February 2016, we launched a programme of work designed to meet these priorities, which I believe is now bearing real fruit. Unashamedly, our first objective was to restore the business to sales growth, as without that, it was difficult to see how we could move forward.

It is this programme of work that has driven the sales recovery, with the capital investment programme, our sales training and ethos, and our investment in and adoption of reputation.com as our tool to listen to our guests, coupled with better informed pricing decisions, being the driving forces.

We cannot and will not let up on the drive to grow sales. However, we think we have identified the right levers that will continue to strengthen our position. Despite this progress, we still saw our profit decline last year and so attention more latterly has been focused on the opportunities we have to drive efficiency. To that end, we have numerous initiatives that we have been working on, that we believe will start to change the gearing of our business.

The strategic report that follows updates you on our progress against the three strategic priorities in the year; outlines our current view of the market in which we operate; details our financial performance in the period; and updates you on our priorities for 2018.

Overall, I believe that the progress we have made in the year, and the initiatives we have in place going forward, leave us well-placed to deliver continued market outperformance as well as long term shareholder value.

Our strategy
See pages 22 to 23

Over the last year we have made further progress against our three strategic priorities which were introduced to address a period of like-for-like sales[a] declines and market under-performance:

- **To build a more balanced business**
- **To instil a more commercial culture**
- **To drive an innovation agenda**

Our initiatives in these areas have been successful in restoring sales growth and mitigating £26m of the inflationary cost headwinds which we faced in the past year. With inflationary costs continuing into the next financial year, our focus on efficiency remains at the forefront. To this end, we are embarking on the second phase of initiatives and will provide a further update on these in May.

We achieved like-for-like sales[a] growth of 1.8% in the financial year having continued to build steadily on the sales improvement which began in the second half of FY 2016. The improvement is partly driven by capital, however the uninvested estate improved like-for-like sales[a] trajectory by 0.6ppts over the course of the year. This momentum has seen us consistently outperforming the market. Although the final quarter was impacted by disappointing weather, trading since the year end has resulted in strengthened like-for-like sales[a] growth of 2.3% and we will look to carry this momentum forward.

As a result of the inflationary cost pressures, adjusted operating profit[a] was down 3.1%, on a 52 week basis, despite the positive sales trajectory.

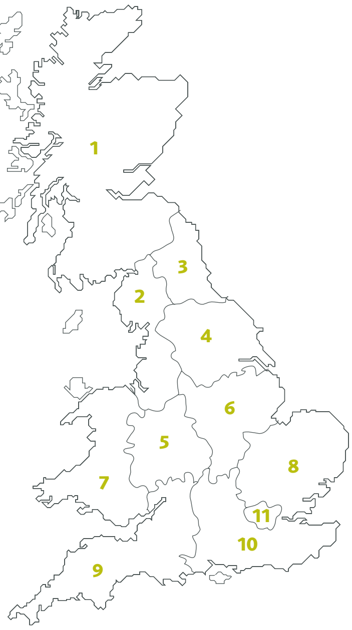
Our priorities

Building a more balanced business

Our estate comprises over 1,750 pubs and restaurants, of which more than 80% are freehold or long-leasehold. Our focus in this area is to optimise the balance of brands across the estate in order to create long-term value.

We are committed to improving the quality of the estate by exposing it to more premium market spaces and by improving overall amenity. We conducted a full estate review last year giving us a plan for each of our sites. One outcome of this review was the disposal of 79 sites, which completed earlier in the year. A second was the identification of a section of the estate which we believe may not be positioned to generate value. These are predominantly short leasehold sites in retail and leisure locations, currently trading below expectations. Having reviewed in detail the future trading potential and brand or offer conversion options for these sites this year, we have concluded that several are unlikely to generate a positive return over the remaining life of their lease. We have reflected this judgement in an increased onerous lease provision this year.

REVENUE BY REGION (FY 2017)



% of sales

1	Scotland	5%
2	North West	9%
3	North East	3%
4	Yorkshire and Humberside	8%
5	West Midlands	14%
6	East Midlands	5%
7	Wales	4%
8	East of England	7%
9	South West	7%
10	South East (excluding London)	15%
11	London	23%

One way in which we have increased the premium aspect of the business is through growth of Miller & Carter, our successful steakhouse format which is generating strong like-for-like sales. Over the past year we have increased the number of sites from 52 to 84, with 26 of the additional sites facilitated through conversions of existing sites, and we anticipate reaching 100 sites at the beginning of the next calendar year. Conversions are delivering average EBITDA returns of more than 40%, and we continue to explore various new types of locations for the brand.

We also continue to work on enhancing the amenity of other formats through our remodel programme. For example, we have continued to progress our evolution of Harvester through remodels offering a fresh and contemporary design, bringing rotisserie chicken to the fore, as well as a retargeted offer which is delivering sales uplifts of 10% following investment.

During the year we have also focused investment on our accommodation offer. We operate over 900 rooms across 52 locations and believe we can generate a strong return by upgrading the rooms to be more closely aligned with the feel of the brand they are attached to, which in most cases means premiumisation of the accommodation. We have completed 15 remodels this financial year with sales uplifts of over 20.0% following investment. We intend to continue our investment in accommodation next financial year and, in addition, will complete the build of a purpose-built lodge.

In total we have completed 252 remodels and conversions in FY 2017 (FY 2016 252), which means we are on track to maintain the reduction in our redevelopment cycle from 11 to 12 years previously to six to seven years now.

Instilling a more commercial culture

Instilling a commercial culture is critical to achieving profitable sales growth and we are pleased with the progress made in this area over the year. The four new operating divisions, each containing similar customer types and brands, introduced last year have improved our guest focus and we have made significant progress across a number of initiatives as evidenced by our like-for-like sales improvement.

The growth of social media has made online reputation more important than ever and we have made significant progress in this area over the course of the year. Using reputation.com, an online feedback consolidation tool, managers are now responding to 83% of the growing number of online comments, up from 59% a year ago. As managers have increased their level of engagement with their guests we have also seen average feedback scores increase over the course of the year with total net promoter score having increased to 7.8 ppts to 59%.

In these times of unprecedented cost headwinds, it is important that we rigorously identify and secure efficiency and cost saving opportunities across the business. Our progress in this area is well advanced with cost

savings of £26m delivered in FY 2017 and further initiatives identified for delivery in the current financial year. For example, we have improved two key operational systems during the year.

The first is a time and attendance labour system which requires team members to clock in and out, ensuring that staff are paid accurately for the time worked, whilst also increasing deployment efficiency through enhanced planning tools. In addition, managers are able to access the system from any device and the next stage of roll out will include the capability for team members to swap shifts and for us to share resource across local sites.

The second system which we have updated during the year is our stock control system. This upgraded technology halves the time taken to do stock counts and improves stock control ability, reducing both the instances of an item being out of stock and wastage. The next stage of this development is an auto ordering system which is now in trial.

In addition to this activity, we continue to leverage our scale through our central procurement processes, meaning that we are able to mitigate a large portion of the input cost inflation currently impacting the market. Alongside our procurement efforts, pricing and margin management remain critical activities within the business. We are currently trialling the use of a dynamic pricing model in order to challenge and to fine tune our pricing strategy.

Our focus on maximising bookings continues and we have now set up a central bookings team to take calls which are missed at site, with the conversion rate to a booking of these intercepted calls at 47%.

Food safety and health and safety will always remain a top priority for the business; we are pleased therefore that our safety record improved during the year. At the end of the year 97.5% of our sites were rated good or very good for food hygiene, a higher proportion than any other national pub company.

Driving an innovation agenda

Technology continues to evolve at a rapid pace and we have made good progress against our digital strategy which positions us well to benefit from these changes. Technology now impacts each aspect of the guest journey, from learning about our offers to experiences in site with us and our ability to encourage guests to return. One significant area of progress during the year has been the development of our mobile order at table facility, allowing guests to order food and drinks from their own devices. This technology is currently in trial in O'Neill's with a view to roll out across the brand and to identify opportunities in other brands for development and roll out. The order at table facility will be combined with our existing mobile payment platform within our brand apps, facilitating a digital experience throughout the guest journey.

The demand for food delivery within the industry has remained in growth and we have been positioning ourselves in order to benefit from customers' changing habits which we believe provide an opportunity to capture incremental sales. Over the course of the year we have increased the number of sites offering Deliveroo from 25 to 61. We have also carried out a successful trial with JustEat, allowing us to offer Harvester and Toby Carvery delivery as well as click and collect.

People

As ever, people are central to our Company's success. We operate in the hospitality industry where the guest experience is critical and cannot be delivered without the dedication of our 46,000 employees. In the face of numerous changes within the business, we are pleased that our engagement scores have improved by 2.0 points and our retail team turnover has reduced by 4.1 percentage points. When considered in the context of the average cost of replacing each team member, including the cost of recruitment, management time and training, this represents a significant cost saving.

Our apprentice scheme is vitally important to us. We believe these young people are the lifeblood of the industry and we are delighted to have added a further 1,300 people to our programme during the financial year.

A further advancement in this area is the launch of our new online training platform containing a complete library of training materials and with the ability to plan and track development. This resource allows employees access to materials which will help them to further their career as and when they want to, and also allows them to learn remotely using their own device. The platform also encourages employees to connect and share their learning experiences to encourage others.

Current trading and outlook

In the first seven weeks of the new financial year like-for-like sales[a] have grown by 2.3%.

We are pleased with the progress made in the last year having returned the Company to sales growth, consistently outperforming the market. However, the market in which we operate presents us with an unprecedented level of challenge and uncertainty. Through this period we shall remain focused on delivering our strategy and give priority to maintaining both the competitiveness of our estate and a strong balance sheet, both of which we believe will leave us well positioned in the long term.

Phil Urban
Chief Executive

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid understanding of the Group's performance. Key measures are explained on pages 140 to 142 of this report.

UNCERTAIN ECONOMIC AND POLITICAL ENVIRONMENT

We believe that success in our evolving market requires quality brands, offering great experiences at the right price and with high amenity levels, to generate sufficient sales growth to mitigate cost headwinds.

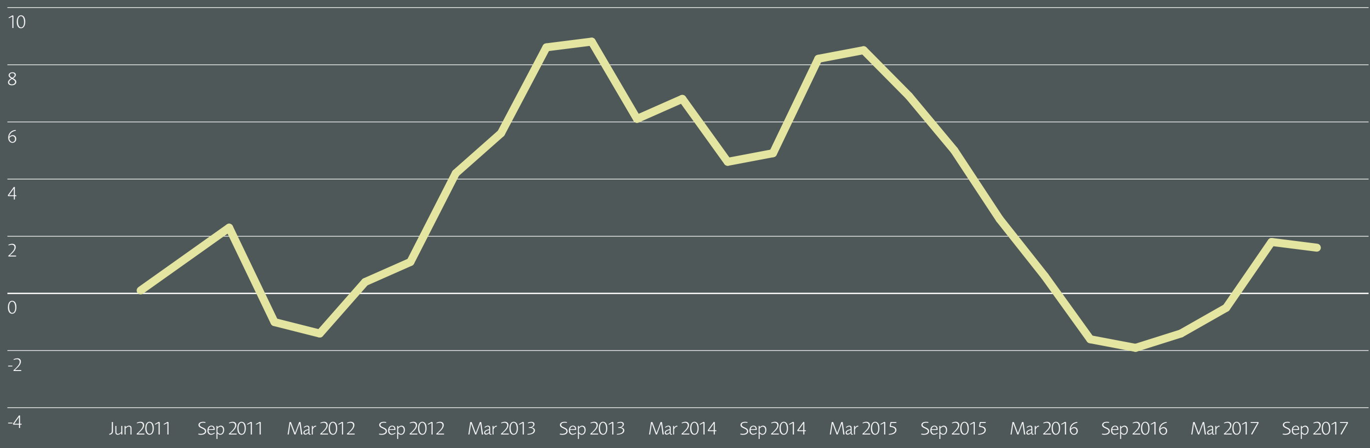
The external environment

Trends within the broader eating out market are mixed, with the restaurant sector overall seeing sales decline but with branded restaurants experiencing growth of 4.5% in 2017. Recent data suggests that consumer behaviour is changing, with people eating out less frequently but spending more when they do make the decision to go out. In addition, although restaurant supply growth has steadied over the last year the market remains highly competitive and, as a result, levels of discounting appear to be increasing in some segments of the market. This context helps inform our strategic priorities to keep our brands front of mind for the guest through innovation and continuous development, as well as premiumising, in order to take advantage of changing customer behaviour.

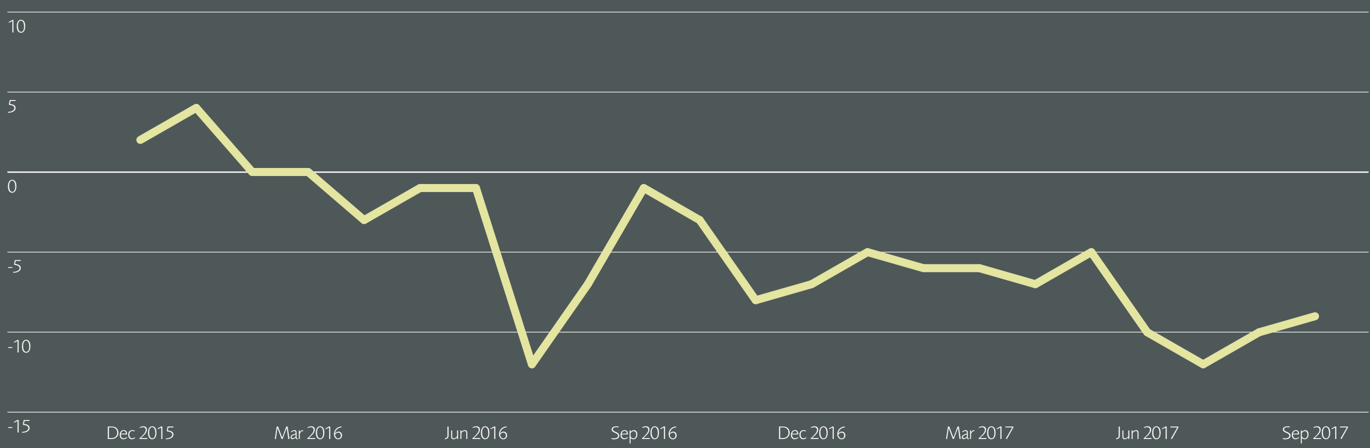
There are unprecedented cost headwinds facing the sector, putting the focus on efficiency and maximising profitable sales growth. In addition, there is also political uncertainty domestically and surrounding the impact of the UK leaving the European Union. There are three main areas on which Brexit may impact our business: changes in consumer confidence; changes in employment and immigration laws; and the impact on input costs. Without clarity on the terms of exit, the impact of the first two remains relatively unknown and we continue to closely follow developments in these areas. Input costs will continue to be impacted by changes in the value of sterling. While the fall in the value of the currency since the EU referendum has been profit dilutive we do have a strong track record of partially mitigating input costs inflation through procurement initiatives.

We believe that success in our evolving market requires quality brands, offering great experiences at the right price and with high amenity levels, to generate sufficient sales growth to mitigate cost headwinds.

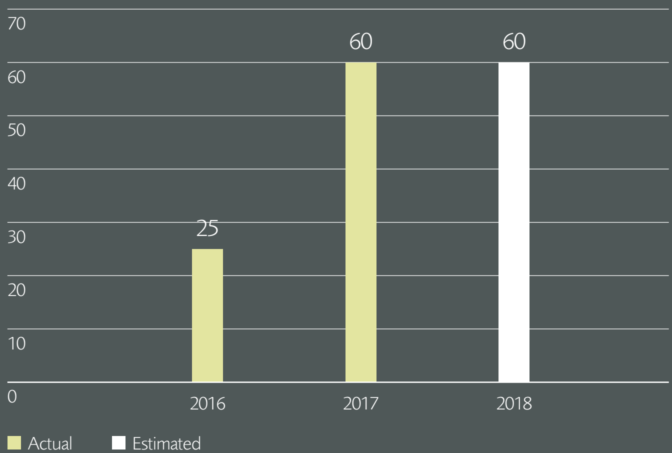
Restaurants actual year-on-year supply growth %
Source: CGA Outlet Index



UK consumer confidence index
Source: GFK



Mitchells & Butlers inflationary costs £m



Our risks and uncertainties
See pages 36 to 40

CREATING VALUE FOR OUR STAKEHOLDERS

In the long term, we aim to maximise the opportunity from these guest experiences through the use of our largely freehold-backed estate, the teams of people working within the Company, and the high-quality practices which we adopt.

Value proposition

We create value for our various stakeholders through the delivery of eating and drinking experiences to our guests. Every year we serve more than 130 million meals and 400 million drinks across our brands, providing us with the opportunity to engage with guests on a daily basis.

With our focus on guest experience, we currently collect more than 46,000 individual pieces of feedback per month providing us with insight to develop our brands and offers across the business, ensuring that we provide the range of experiences our guests are looking for.

In the long term, we aim to maximise the opportunity from these guest experiences through the use of our largely freehold-backed **estate**, the teams of **people** working within the Company, and the high-quality **practices** which we adopt.

Estate

In total we trade from more than 1,750 pubs and restaurants, of which over 80% are owned under a freehold or long-leasehold. The estate is predominantly UK-based, and is nationwide although most heavily concentrated in London and the South East, the West Midlands and the North West.

This array of high-quality locations, matched with our diverse brand portfolio, enables us to match the right concept to the right trading asset, as well as offering a strong pipeline for future conversions as growth concepts are identified. Our property has a value of £4.4bn as at the end of FY 2017, offering a stable and long-term opportunity for value creation.

People

We have 46,000 employees across our pubs and restaurants and in our Retail Support Centre, who are critical to delivering outstanding experiences to our guests. Being in the hospitality sector our people are key to delivery and evolution of our business and also provide us with a key point of differentiation from our competitors. Our people include those with strong business and sector experience, as well as new and enthusiastic young talent who we look to develop through our apprenticeship programme. Adopting a structured approach to recruitment, driving high levels of engagement with our existing teams and offering development and learning opportunities are key elements of our people strategy.

Practices

Practices refer to the way in which we operate to best generate value throughout the business. This encompasses our use of scale for purchasing and operational efficiency; sharing of ideas between similar brands and concepts within the portfolio; adherence to the highest operational standards; and an increasing use of technology to enhance guest experiences. We continuously strive to move forward in all of these areas in order to maximise the value of the Company.

ESTATE

Our estate comprises more than 1,750 pubs and restaurants, of which over 80% are freehold or long-leasehold.

Building a balanced business
See page 24

PEOPLE

We have 46,000 employees across our pubs and restaurants and in our Retail Support Centre, who are critical to delivering outstanding experiences to our guests.

Instilling a commercial culture
See page 26

GUESTS

BRANDS

PRACTICES

Practices refer to the way in which we operate in the best way to generate value throughout the business.

Driving an innovative agenda
See page 27

CREATING VALUE

OUR BUSINESS MODEL CREATES SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.

FOR SHAREHOLDERS

Total shareholder return
See page 84

FOR THE ENVIRONMENT

Corporate social responsibility
See pages 30 to 35

FOR SUPPLIERS

Corporate social responsibility
See pages 30 to 35

FOR EMPLOYEES

Corporate social responsibility
See pages 30 to 35

MAXIMISING RETURNS

Our strategy aims to deliver long-term sustainable shareholder value through organic growth. Our priority is to maximise the return generated from our existing assets, through ensuring we have a balanced estate; instilling a more commercial culture; and growing through innovation and use of technology.

1 BUILD A MORE BALANCED BUSINESS

Rationale

- To generate maximum value from our estate of largely freehold-backed properties.
- To ensure we are exposed to the right market segments by having the correct trading brand or concept in each outlet, based on location, site characteristics and local demographics.
- To maintain the amenity level of the estate such that we operate safely and remain competitive to guests, alongside meeting cash flow commitments.

FY 2017 progress

- Implementation of the results of the full estate review completed in FY 2016 which provided a plan for each individual site by year, until 2020.
- Invested in growth concepts: Miller & Carter increased from 52 to 84 sites through conversion and acquisition with average EBITDA returns of more than 40%, and we converted 46 sites to our Stonehouse format.
- Enhanced the amenity through our remodel programme with Harvester evolution investment delivering sales uplifts of 10% post investment.
- Completed sufficient projects to remain on track to achieve a six to seven year investment cycle.
- Accelerated the level of investment in capital activity to £169m (FY 2016 £167m).
- We acquired 13 sites and disposed of 79 sites which did not fit into our estate strategy.

FY 2018 priorities

- Continue to increase the premium element of the estate.
- Remain on course for a six to seven year investment cycle through our investment in remodels and conversions.
- Make further selective acquisitions where we feel they add value to the estate, and disposals where we feel we have extracted maximum value.

Link to KPIs

2, 3, 4, 5

Key performance indicators
See pages 28 to 29

2 INSTIL A MORE COMMERCIAL CULTURE

Rationale

- To ensure we focus on the delivery of profitable sales.
- To engage our teams in delivering outstanding guest experiences.
- To act quickly and decisively to remain competitive in our fast-changing marketplace.

FY 2017 progress

- Embedded the new organisational structure, consisting of four operational divisions, each of which is represented by a Divisional Director on the Executive Committee.
- Progress made on KPIs of all identified workstreams which were set up in order to speed up decision making.
- Mitigation of £26m of cost headwinds through efficiency, removal of non-guest facing costs, and pricing and promotional initiatives with time and attendance and updated stock control systems introduced in the year.
- Focus on guest engagement through launch of online feedback consolidation tool, with online responses up from 59% to 83% in the year, and engagement from managers, with net promoter score up 7.8 percentage points.
- Food safety and health and safety improved with 97.5% of our sites rated good or very good for food hygiene, the highest for a national pub company.

FY 2018 priorities

- Expand sales channels, including the extension of home delivery with partners, and takeaway.
- Continue to focus on guest engagement and to build on the benefits gained using the online feedback consolidation tool.
- Continue to focus on mitigating cost headwinds through efficiency, the removal of non-guest impacting costs and pricing and promotional initiatives.

Link to KPIs
1, 2, 3, 5

Key performance indicators
See pages 28 to 29

3 GROW THROUGH INNOVATION AND TECHNOLOGY

Rationale

- To ensure that our brands and formats remain fresh and relevant within their market segments.
- To leverage the increasing role technology can play in improving efficiency and guest experience.
- To execute a digital strategy to engage with consumers across a variety of platforms.
- To facilitate new product and concept development.

FY 2017 progress

- Developed and opened two new concepts, Chicken Society and Son of Steak, with further new concepts under development.
- Enhanced the guest experience through technology, for instance through pay at table and order at table facilities.
- Positioned ourselves to benefit from growth in home delivery with number of sites offering Deliveroo up from 25 to 61 and a trial of JustEat in Harvester and Toby as well as click and collect.
- Developed a range of digital marketing activity, from further brand apps and enhanced websites, to refining the way we work with affiliate partners to attract new guests.
- Upgraded WiFi to improve guest experience and enhance speed for teams.
- Secondary wireless device rolled out to all sites to allow managers to complete back office tasks whilst interacting with guests and team.

FY 2018 priorities

- Open additional new concepts and continue to evolve and develop each new offer.
- Continue to evolve existing brands though new design and product innovation.
- Roll our order at table facility to those brands where it is appropriate to the offer.
- Further develop guest loyalty initiatives and extend roll out to more brands.

Link to KPIs
2, 3, 5

Key performance indicators
See pages 28 to 29

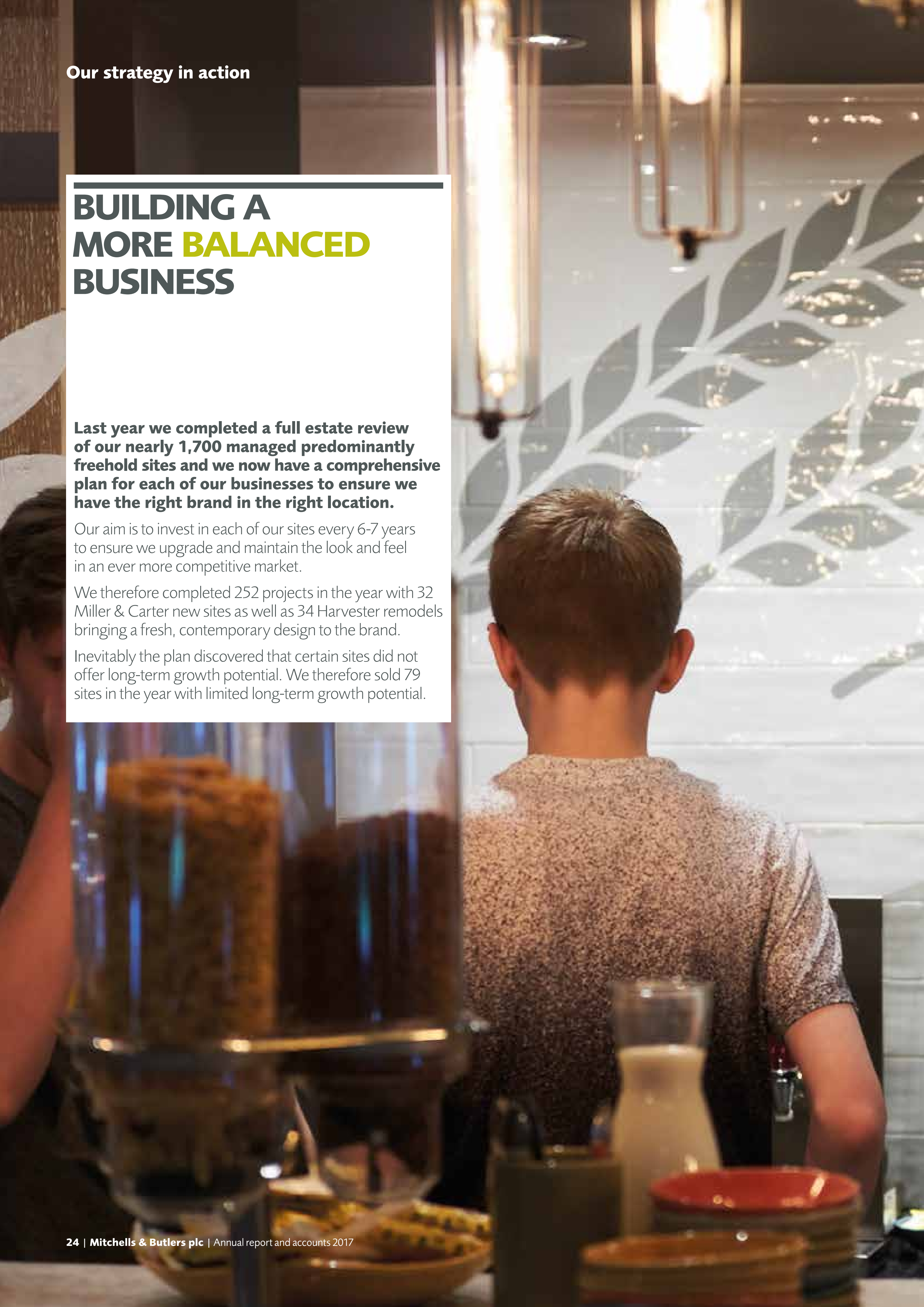
BUILDING A MORE BALANCED BUSINESS

Last year we completed a full estate review of our nearly 1,700 managed predominantly freehold sites and we now have a comprehensive plan for each of our businesses to ensure we have the right brand in the right location.

Our aim is to invest in each of our sites every 6-7 years to ensure we upgrade and maintain the look and feel in an ever more competitive market.

We therefore completed 252 projects in the year with 32 Miller & Carter new sites as well as 34 Harvester remodels bringing a fresh, contemporary design to the brand.

Inevitably the plan discovered that certain sites did not offer long-term growth potential. We therefore sold 79 sites in the year with limited long-term growth potential.



INSTILLING A MORE COMMERCIAL CULTURE

Engaged people with the right skills to delight guests and deliver long-term growth are essential to our strategy.

Last year we introduced four new operating divisions containing similar customer types and brands. These have greatly improved our guest focus. This, coupled with the workstreams we put in place to support our strategy, have contributed to the growth in like-for-like sales and market outperformance during the year. This improvement is evidenced by net promoter score growing by almost 8 percentage points in the year.

We are continuing our focus on the delivery of efficiencies. This focus will remain given the continuing significant external cost pressures on the business.

DRIVING AN INNOVATION AGENDA

We maintained our focus on the delivery of our digital strategy over the last year.

For example, significant progress has been made on our mobile order at table facility, enabling guests to order food and drinks from their devices.

Our social media consolidation tool, reputation.com, introduced last year has started to benefit our General Managers and guests with 83% of online comments now being responded to, an improvement of 24 percentage points versus last year.

We have also increased the number of sites with food delivery capability with 61 now using Deliveroo, whilst Harvester and Toby Carvery are trialling JustEat as well as offering click and collect.

MEASURING PERFORMANCE

We measure our performance against our strategy through five key performance indicators.

1 STAFF TURNOVER

Definition
The number of leavers in our retail businesses, expressed as a percentage of average retail employees. This like-for-like measure excludes site management.

FY 2017 performance
Retail staff turnover decreased by 4ppts to 83%.

Increased engagement, recruitment of 1,300 people onto our apprentice scheme and the launch of a new online training platform were all factors that contributed to the improvement in our staff turnover measure.

Staff turnover %

83%

2017	83
2016	86
2015	82
2014	83
2013	83

Link to strategy
2

Our strategy
See pages 22 to 23

2 NET PROMOTER SCORE

Definition
The net promoter score for a pub is defined as the percentage of responses where we score 9 or 10 out of 10, less the percentage of responses where we score 0 to 6 out of 10 based on the question "How likely are you to recommend this pub to a friend and/or relative?".

FY 2017 performance
Net promoter score for FY 2017 was 59, which has increased from a score of 51 in the final quarter of FY 2016.

During FY 2016 we optimised our guest survey platform which resulted in a rebasing of the measurement.

The improvement in the score has been driven by increased engagement with our guests, with the introduction of reputation.com, an online feedback consolidation tool, enabling 83% of comments online to be responded to by our managers.

Net promoter score

59

2017	59
2016	51
2015	65
2014	63
2013	59

Link to strategy
1, 2, 3

Our strategy
See pages 22 to 23

3 LIKE-FOR-LIKE SALES

Definition

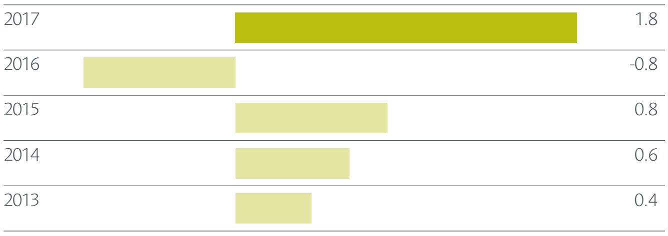
The sales this year compared to the sales in the previous year of all UK managed sites that were trading in the two periods being compared, expressed as a percentage.

FY 2017 performance

Like-for-like sales[a] rose by 1.8% in FY 2017. This sales performance was consistently ahead of the market throughout the year and represents an improvement from FY 2016, when like-for-like sales[a] fell by 0.8%.

Year-on-year like-for-like sales[a] %

1.8%



Link to strategy

1, 2, 3

Our strategy
See pages 22 to 23

4 RETURN ON CAPITAL

Definition

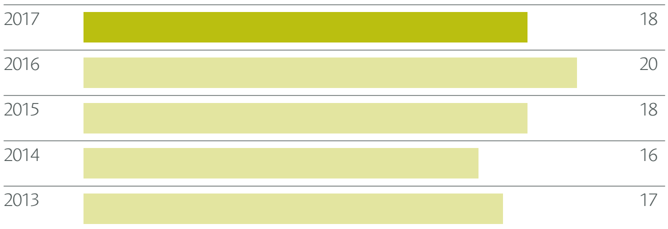
Expansionary capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Incremental return is the growth in annual site EBITDA, expressed as a percentage of expansionary capital.

FY 2017 performance

The EBITDA return on all conversion and acquisition capital invested is 18% from 20% in FY 2016 as a result of the changing mix in capital investment. Projects since the start of the most recent financial year are returning in excess of 20%.

Incremental return on expansionary capital %

18%



Link to strategy

1

Our strategy
See pages 22 to 23

5 ADJUSTED EPS[a] GROWTH

Definition

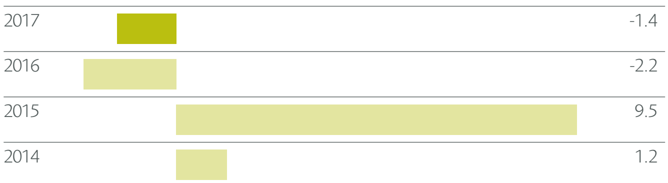
Adjusted earnings per share[a] for the year compared to last year, as reported in the financial statements, expressed as a percentage.

FY 2017 performance

Adjusted earnings per share[a] on a 52 week basis was 34.4p (FY 2016 34.9p). This is the net effect of sales growth being offset by cost inflation and continued acceleration of our capital investment programme.

EPS[a] growth %

(1.4%)



a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid understanding of the Group's performance. Key measures are explained on pages 140 to 142 of this report.

Link to strategy

1, 2, 3

Our strategy
See pages 22 to 23

BRANDS PEOPLE TRUST

FOOD AND DRINK

The food and drink we serve

As one of the largest managed pub and restaurant operators in the UK, serving millions of meals and drinks every year, our guests trust us to serve great food, at the right price which is safely prepared and cooked; and to serve alcohol responsibly.

- We procure 100% shell-on eggs produced from free range hens, achieving this status six months ahead of our original target.
- We are a member of a 'Leadership Group' of companies preparing a Code of Conduct for sugar reduction in the 'out of home' sector.
- M&B named Food Service Operator of the year at the British Poultry Awards for the fourth consecutive year.
- In January 2017 Browns restaurants began serving guests with 100% British Red Tractor Farm Assured beef, produced through their very own Browns Integrated Beef Supply programme.
- We're a major funder of the Drinkaware Trust.
- We operate a Challenge 21 policy in all our businesses across England and Wales; and a Challenge 25 policy in our Scottish businesses.

Food sourcing

At Mitchells & Butlers we understand that our priority is to procure quality products, at a competitive price, in guaranteed quantities. We want to make sure that our guests can make a dish selection which is right for them, whatever the occasion. An important part of this process is that our guests trust us to be honest about what is in our food so that they are able to make an informed choice and we aim to make this information as clear as possible. We also have a responsibility to our guests to ensure that the food we source has been produced in a sustainable and ethical manner, taking due regard for high standards of animal welfare.

Our Sourcing Policy has been developed to ensure that the procurement of all meat, poultry and finfish used within our business is carried out in accordance with the Company's ethical standards that operate across all our brands. Working closely with our suppliers, we aim to optimise welfare standards to meet business needs and satisfy guest requirements.

Guest insight research that we conducted, highlighted key areas that matter to our guests in terms of animal welfare, environmental impact and social equity. Our sourcing policy sets out to address these issues and confirms our intention to achieve the optimal standards possible for each of our brands. Led by a cross-functional team, reporting directly to the Executive Committee, the sourcing policy continues to evolve and is reviewed on a regular basis, to incorporate any changes in legislation, procurement policies or business needs.

Our key achievements in FY 2017:

- We procured 100% shell-on eggs produced from free range hens, achieving this status six months ahead of our original target. The business received a Compassion in World Farming (CIWF) award in recognition of the Company's commitment to the welfare of laying hens, by sourcing cage-free birds.
- The Mitchells & Butlers Antibiotics Policy has been agreed, outlining our objectives concerning the use of antibiotics in livestock production.
- Our sourcing policy has been integrated within the Company Technical Guide for Food Suppliers, recognising the importance of animal welfare within our food production standards.
- A cross-functional working party has been established to collate data from suppliers regarding the current status of the welfare standards in operation for farmed fish, wild caught fish and crustaceans purchased for use within the Mitchells & Butlers estate.
- In January 2017, 25 Browns restaurants began serving guests with 100% British Red Tractor Farm Assured beef, produced through their own Browns Integrated Beef Supply programme. In recognition of the great quality beef produced from this scheme, Browns won both a Silver and Bronze award at the World Steak Challenge 2017.

More details on our food sourcing policy can be found at www.mbplc.com/responsibility/goodfood

Nutrition

We continue to look for the most effective way to present nutritional information to our guests across our portfolio of brands. By using our guest insight to understand better our guests' preferences and priorities, we can develop our nutritional messaging to ensure it remains effective. We believe our focus should be on communicating ingredients, healthy cooking techniques, the freshness of our food and providing healthier options to enable our guests to make an informed choice when eating with us.

We publish the nutritional information for our menus on our websites for All Bar One, Ember Inns, Harvester, Premium Country Pubs, Toby Carvery, Suburban Pubs and Vintage Inns. For example, this year we launched specific menus in All Bar One for Veganuary and Browns has developed a special gluten free menu.

Nutritional information is provided as a guide and values are calculated using detailed recipes that include weights and measures, manufacturers' nutrition data and laboratory data where required.

We have invested significantly in technical processes and systems to incorporate the requirements of Regulation (EU) No. 1169/2011 on the provision of food information to consumers. We follow both regulatory and best practice advice, to ensure the information is as accurate as possible and helps our guests make the most informed choice to suit their dietary needs and preferences.

It is now a mandatory requirement for all suppliers to Mitchells & Butlers to provide nutritional information for every food product, and to follow Company policy on the provision of accurate nutrition data. This enables our chefs to have the detail required to design and improve dishes that meet the specific nutritional requirements of our guests.

Allergens

We are committed to ensuring that customers who suffer from allergies are provided with the information they need to make an informed choice about the suitability of the food we serve for their own circumstances. We have improved the format of the allergen information provided on our websites and included filters so that customers can see the dishes that do not contain an allergen as an ingredient. We continually review our service cycle and retail staff training on allergens to improve the customer experience.

Salt

Over two years ago our brands replaced standard salt used in salt shakers on the tables in restaurants and to season food back of house, with a mineral salt containing 15% less sodium than standard salt and which is high in magnesium, thereby delivering on our commitment to the Government Responsibility Deal pledge to support and enable consumers to reduce their dietary salt intake.

Sugar

We continue to actively engage with Public Health England and our trade association, the British Hospitality Association, to determine the best way to meet the objectives of the UK Government's Childhood Obesity Strategy within our sector.

Signposting healthier options

In partnership with Campden BRI, a food and drinks research service, we developed a guide to help position our brands as leaders in the industry for healthier options and to enable guest communication that is on trend, truthful, substantiated and legally compliant.

This best practice guide translates the regulations and relevant codes of practice into user-friendly language to support the development and communication of commercially viable healthier options that comply with all relevant regulations and do not mislead the guest.

Several of our brands have increased their range of healthier options, and supported these with nutrition and health information, to make them easily identifiable to the health-conscious guest. Examples include: Toby Carvery's signposting of a range of menu options which are low in saturated fat and contain 500 calories or fewer; and All Bar One's range of calorie controlled options, with the energy content published on the menu copy, whilst dishes high in protein, omega-3 and 'lighter' options are also signposted.

Responsibility Deal partnership

We are committed partners of the Government's Responsibility Deal, and remain focused on delivering our pledges relating to artificial trans fats and salt reduction, which is now under the remit of Public Health England.

In addition, this year we have committed to Public Health England's Sugar Reduction Programme for our family brands Harvester, Toby Carvery, Sizzling Pubs and Stonehouse. We are focusing on reducing sugar in some of our higher sugar desserts through dish reformulation. We continue to support and enable our customers to eat and drink fewer calories through product and menu reformulation, reviewing portion sizes, education and information.

Children's menus

In response to the growing concern over childhood obesity, we developed our own Children's Food Standards that were implemented across all brands from Spring 2016. We continue to optimise our children's offer and update the standards with new Public Health Guidance following the Government's Childhood Obesity Plan.

The standards incorporate best practice and recommendations from leading health charities such as The Soil Association and have been developed in consultation with the School Food Standards, Government Buying Standards and established dietary recommendations for children.

Food safety

We place great importance on the Food Hygiene Ratings Scores of our pubs, bars and restaurants and we have made a commitment to increase the number of our businesses that achieve a 4 or 5-star Food Hygiene Rating, taking a zero-tolerance approach to anything below. It is pleasing that at the year end, 97.5% of our sites were rated either good or very good for food hygiene, a higher proportion than any other national pub company.

Mitchells & Butlers is fully engaged with the Food Standards Agency and supports the Regulating Our Future initiative. The Company's Head of Safety has been appointed to the Expert Advisory Panel (Industry) for the Food Standards Agency as part of this project and is assisting the agency as it develops a future model for Food Safety Enforcement in England, Wales and Northern Ireland.

The Company's Head of Safety also chairs the British Hospitality Association (BHA) Food Group and earlier this year was instrumental in the publication by the BHA of the Industry Guide to Good Hygiene Practice.

The Company supports the development of the BHA Assured Catering Scheme and wishes to see a robust, fair and sustainably funded scheme that informs Food Hygiene Ratings standards.

Food Crime

The Company is aware of the risks from food crime and is working on a research project with Birmingham University on the use of technology (NIR Spectroscopy) to screen products for authenticity.

Serving alcohol responsibly

The responsible operation of our pubs and restaurants is central to the culture of our business. Our Alcohol & Social Responsibility Policy has now been in place for over a decade, and lays down best practice about serving alcohol responsibly in England and Wales, and Scotland including team training, responsible pricing and promotions.

Mitchells & Butlers operates the Challenge 21 policy in all our businesses across England and Wales (and a Challenge 25 policy in our Scottish businesses). The policy requires that any guest attempting to buy alcohol who appears under the age of 21, must provide an acceptable form of proof of age ID to confirm that they are over 18, before they can be served. This policy forms part of our regular training for our employees on their responsibilities for serving alcohol.

This highly responsible approach has resulted in our businesses winning a number of Best Bar None awards. These awards are supported by the Home Office and aim to promote responsible management and operation of alcohol licensed premises.

We're a major funder of Drinkaware Trust. The Trust's aim is to promote responsible drinking by finding innovative ways to challenge the national drinking culture. In turn, this helps reduce alcohol misuse and minimise alcohol-related harm.

PEOPLE

Working with us

- Over 14,820 employees have received an award recognising their service to the business.
- In FY 2017 a further 1,300 young people have joined our business on hospitality apprenticeships.
- We launched our Chefs' Academy, the Company's primary apprenticeship route to grow team member culinary capability.

As one of the largest managed restaurant companies in the UK with over 100 years' experience, we have a huge range of career opportunities on offer. Through our people strategy we strive to attract, develop and retain the best talent. Everything we do as a business is built on the enthusiasm and professionalism of our people.

Listening to our people

Every year we carry out our employee engagement survey, 'Your Say', to understand better what is important to our employees. Encouragingly, in FY 2017 our engagement scores improved for all groups of employees. People told us they could see their colleagues living the PRIDE (Passion, Respect, Innovation, Drive and Engagement) values maintaining an upward trajectory in this area since 2015. Our colleagues also told us that they value the flexibility that working for Mitchells & Butlers brings and that they loved being part of a team. Following the survey employees in each business or department create an action plan specific to their engagement scores.

Diversity

We are committed to providing equal opportunities for all of our employees. Our employee Diversity Policy ensures that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities.

The policy confirms that there will be no direct or indirect discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, colour, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

The following table sets out our diversity balance as between men and women at the end of FY 2017.

	Men	Women
Directors	10	1
Other senior managers	35	12
All employees	22,452	23,961

Rewarding and recognising our people

We acknowledge the importance of rewards and how important these tools are in recognising the hard work and dedication of our people. Pickaperk, our benefits platform, continues to be popular with our employees, with a spend on discounted goods of £1.6m in FY 2017, an increase of £300k from the previous year.

Many of our employees continue to enjoy the 'Dine with Us' programme, where they can access their employee discount digitally when they eat in one of our businesses. Discount remains at 33% for the employee and up to five of their guests.

Over 14,820 employees have received an award recognising their service to the business. Awards are made to employees for achieving service milestones between one year and 45 years. Around a further 5,230 have been recognised across the year with specific, ad hoc acknowledgements for their contribution for a job well done.

Nurturing and developing young talent

In 2017, we have continued to evolve our youth attraction strategy which aims to increase the quantity of young people of 16 and over joining the business. We are achieving this through our partnership with Believe in Young People by recruiting young people for our work experience opportunities and working with HeadStart in local communities as part of their programme to drive social integration and youth employability. These activities are enabling us to position Mitchells & Butlers as a credible, potential employer to a younger audience.

Our apprenticeships

We are proud to offer apprenticeships nationwide in all our managed pubs and restaurants. We have developed a series of learning pathways, which mean our apprentices can gain a nationally recognised qualification, transferable career skills and on the job training. Hospitality is one of the few industries where you can very quickly progress from an apprenticeship into a position of management, therefore helping us develop a talent pipeline and growing our apprenticeship scheme to support our business today and for years to come.

To support our strategy internally, in FY 2017 Mitchells & Butlers launched Chefs' Academy, the business' primary apprenticeship route to grow team member culinary capability; 117 learners were attracted in the first year of which 50% will move into next level roles. We are already looking forward to recruitment for next year, with 180 new learners already committed to the programme. The growth of this programme will ensure that kitchen employees at Mitchells & Butlers have an apprenticeship opportunity that can help elevate them to future Head Chef roles and provide the business with confidence in our highly capable food workforce.

In addition, a further 1,300 young people have joined our business on hospitality apprenticeships this year and over 750 of our current employees have enrolled onto one of the apprenticeship opportunities open to them. We are also delighted to see over 460 employees successfully complete their first apprenticeship in 2017. M&B now has c.1,600 active apprentices within the organisation and, whilst this represents significant progress, we are aspiring to add a further 2,500 apprenticeship starters in 2018.

M&B now offer apprenticeship opportunities from Level 2 through to Level 5, which allows a 16-year-old school leaver to join us on an intermediate apprenticeship and progress through a range of qualifications culminating in a BA (Hons) degree. We understand that there is not one learning pathway which fits all and therefore we are confident that we offer a true alternative to a traditional academic route; and that we have the building blocks in place to help produce our business' leaders of the future.

COMMUNITIES

Local and national fundraising initiatives

- Over 7,700 meals donated to military personnel on Armed Forces Day.
- Raised over £10,000 for Birmingham Children's Hospital.
- Nicholson's pubs partnered with the RNLI Water Safety Campaign.

We are committed to being a good neighbour and a responsible contributor to society, locally and nationally, by supporting our communities with both our time and expertise. We support our employees and businesses across a spectrum of charitable activity and fundraising, enabling us to build strong relationships with our guests, our colleagues and our neighbours while giving back to the communities in which we trade.

Employee donations programme

The employee donations programme helps individual Mitchells & Butlers' employees (and retired employees) support a personal charity event or challenge of their choice. This year we have donated around £12,000 through this initiative, to a large number of local and national causes including Cancer Research UK, Great Ormond Street Hospital, Sheffield Mind, Parkinson's UK, MS UK and many more.

Payroll Giving

We have re-launched our Payroll Giving programme with a new provider, which enables employees to donate to their chosen charity direct from their pay. The Company has committed to paying the administration fee to process each employee's donation, so each charity gets the benefit of the full donation amount. Employees receive tax relief on the donation.

Supporting Marie Curie Care

Once again, businesses across our Nicholson's, Vintage Inns, Toby Carvery and Ember Inns brands worked together to support the Marie Curie Great Daffodil Appeal during March. The restaurants and pubs sold the famous daffodil pins and raised more than £6,000 for the charity.

Big hearted brands, proud to serve those who serve

We have continued to raise funds for Cancer Research UK. Up and down the country our teams have been busy holding fundraising events, all of which have helped to raise over £26,000 for the charity this year.

Vintage Inns are delighted to have joined forces with the NSPCC this year and are supporting the charity through special discounts for its supporters and taking part in the Go Green for Halloween initiative.

In June, Toby Carvery showed their support for the armed forces by offering all military personnel a free carvery meal on Armed Forces Day. The offer was open to all military personnel, from serving troops and reserves to veterans and cadets and around 7,700 meals were donated by Toby Carvery teams across the country.

This summer the RNLI and Nicholson's pubs joined forces to promote the charity's Respect the Water campaign. Across their 78 sites, Nicholson's helped to spread the safety messages as well as donating money to the RNLI during the brand's Fish Festival. Nicholson's developed a limited-edition fish menu just for the partnership with 50p from every dish sold being donated to the RNLI.

All Bar One has been working with Shelter since 2016 to help support the charity's work with millions of people every year struggling with bad housing or homelessness through their advice, support and legal services. All Bar One supported Shelter with donations at Christmas donating 50p from every limited-edition festive dish sold, as well as other in-bar activity during the year, such as donations from breakfast items sold. This has resulted in £20,000 being raised for Shelter so far.

Once again, we supported the Royal British Legion Poppy Appeal selling thousands of poppies to raise funds for thousands of serving and ex-Service people. Toby Carvery has also made the Royal British Legion its official charity partner for 2017-2018.

Support for Birmingham Children's Hospital

The Company continues to support a local charity, close to many colleagues' hearts, Birmingham Children's Hospital. Over the past two years the Retail Support Centre Social Committee has organised a series of fundraising events for Birmingham Children's Hospital including sponsoring a bear as part of the Midlands' wide Big Sleuth fundraising activity which saw over 100 bear sculptures in the city's streets, parks and open spaces. Money has also been raised through a sky dive, a mud run, abseils, leg waxing, and cake sales. Over the course of FY 2017 M&B has so far raised over £15,000 and we are looking forward to starting our third year of fundraising for this cause.

Our environment

- Energy efficient lighting in every pub and restaurant.
- We recycle our cardboard, glass, plastic and aluminium waste.
- A network of dedicated energy champions across the business.

As a business we successfully manage our energy, waste and water in a way which is cost effective to the business and reduces our impact on the environment.

Energy champions

We have dedicated energy champions in every district, who drive down consumption through proactive energy management from within our businesses.

Lighting

Our whole estate is fitted with energy efficient lighting. This has helped us to make considerable savings on energy consumption as well as improving lighting levels for our guests.

Innovative energy equipment

Smart meters are installed in almost all our businesses, along with heat recovery units which have been fitted in a number of our cellars. This has not only allowed the recovery of heat, but also reduced maintenance costs by allowing other equipment in the cellars to operate in cooler conditions. We also use free cellar air cooling systems, which draw in cool air from outside when temperatures drop below 8°C and turn off the traditional cellar cooling process, saving a huge amount of energy every day.

Many of our kitchens use technology to control our extract and air supply fans to ensure that they always run at the lowest speed to minimise energy usage. We have added smart heating controls to compatible sites that allow for better time and temperature control of our businesses, demonstrating how the reduction of our consumption of energy is now a fundamental part of our everyday business.

Waste management

We continue to drive successfully our waste disposal strategy, focused on reducing, re-using and effectively recycling the waste generated by our restaurants and pubs. This captures recycling cardboard, glass, food and cooking oil. We are currently trialling the use of 'Too Good to Go' – an initiative where surplus food, normally thrown away by one of our kitchens, is sold at a discounted rate to ensure it is not wasted.

We also use other simple but effective products to reduce the volume of water used in our toilets such as Hippo Bags.

KEEPING RISK IN CONTROL

This section highlights the top ten principal risks and uncertainties that affect the Company, together with the key mitigating activities in place to manage those risks.

This does not represent a comprehensive list of all of the risks that the Company faces, but focuses on those that are currently considered to be most relevant.

Overview

Risk management is critical to our corporate responsibilities and to the delivery of shareholder value. Risk is at the heart of everything we do as an organisation. Therefore, the process for identifying and assessing risks and opportunities is an integral and inseparable part of the management skills and processes which are the core of our business.

There is an established Risk Committee in place which continues to meet on a quarterly basis to review the key risks facing the business. Key risks identified are reviewed and assessed by the Risk Committee in terms of their likelihood and impact, within the Group's 'Key Risk Heat Map', in conjunction with associated risk mitigation plans. The processes that are used to identify and manage risks are described in the Internal Control and Risk Management statement on pages 60 and 61.

Management support, involvement and enforcement is fundamental to the success of our risk management framework and each member of the Executive Committee takes responsibility for the management of the specific risks associated with their function. Our Group risk register clearly outlines the alignment of each key risk to an Executive Committee member and an 'action owner', to ensure responsibilities are formally aligned.

Therefore, there is a robust and transparent process in place to provide an appropriate level of direction and support in the identification, assessment and management of those aspects of the business which have the potential to damage seriously our financial position, shareholder value, our responsibilities to our staff and customers, our reputation and our relationship with key stakeholders.

Our three lines of defence

1ST
- Executive Committee
- Leadership group/management
- Internal controls and processes
- Internal policies and procedures
- Training

2ND
- Financial authority limits
- Risk Management processes
- Audit Committee
- Risk Committee
- Health and Safety Team
- Technology specialists
- Legal support

3RD
- Group Assurance
- Operational Practices Team

1 MARKET RISKS

Risk category and description	Controls/mitigating activities	Movement
Declining sales performance *This risk falls into three main categories:* **Sales:** There is a risk that declining sales, concerns around consumer confidence, increased personal debt levels, squeezes on disposable income and rising inflation together may adversely affect our market share and profitability, reducing headroom against securitisation tests. **Consumer and market insight:** If M&B fails to manage and develop its existing (and new) brands in line with consumer needs and market trends due to failure to obtain or use sufficient insight in a timely manner, this may lead to a decline in revenues and profits. **Pricing and market changes:** If price changes are not intelligently applied due to a lack of appreciation of market sensitivities and elasticities, this may result in decreased revenue and profit.	• Right team and structure in place. Brand alignment ensures the right research gets done and is acted on. • Daily, weekly and periodic sales reporting, monitoring and scrutiny activity is in place. • Our Eat Drink Share panel provides robust, quick and cost effective research. This is our own panel of 27,000 M&B guests whom we can use for research purposes for quick and cost effective insights. • Primary research in partnership with brand/category teams. • Working with suppliers to tap into their research. • Each brand has its own pricing strategy. • Price promotions are in line with the agreed strategy. • Sales training for Management. • Consumer/insight led innovation process and development for new brands. • Reduce customer complaints by improving the local management of social media responses (e.g. TripAdvisor). • Increased digital marketing activity. • Online guest satisfaction survey to collect guest feedback. This feedback together with the results of research studies is monitored and evaluated by a dedicated guest insight team to ensure that the relevance to guests of the Company's brands is maintained.	↔ **No movement**

1 MARKET RISKS CONTINUED

Risk category and description	Controls/mitigating activities	Movement
Cost of goods price increases **Food:** The price of goods increases due to increases in demand and uncertainty of supply, leading to decreased profits. **Drinks:** The price of drinks goods increases due to changes in demand, legislation, exchange rates and production costs, leading to decreased profits. **Goods not for resale:** Increases in the price of goods not for resale and utilities costs as a result of increases in global demand and uncertainty of supply in producing nations can have a significant impact on the cost base, consequently impacting margins.	Overall, price increases are mitigated as Mitchells & Butlers leverages its scale to drive competitive cost advantage and collaborates with suppliers to increase efficiencies in the supply chain. The fragmented nature of the food supply industry on the world commodity markets gives the Company the opportunity to source products from a number of alternative suppliers in order to drive down cost. Key mitigating activities for food and drink are detailed below: **Food:** • A Food Procurement Strategy is in place. • Full reviews have been carried out on key categories to ensure optimum value is achieved in each category. • A full range review was completed in 2017 ensuring the correct number of products/suppliers. • Regular reporting of current and projected inflation. • Good relationships with key suppliers. **Drinks:** • Each drinks category has a clearly defined strategic sourcing plan to ensure Company scale is leveraged, supply base is rationalised and consumer needs are met. • Good relationships with key suppliers. • Supplier collaboration programmes are in place. • Plans in development to mitigate Sugar Tax. Risk is increasing mainly due to the devaluation of the pound following Brexit, changes in Government policy (raising risk of punitive duty changes) and the introduction of the Sugar Tax in 2018.	↗ **Risk increasing**

2 OPERATIONAL RISKS

Risk category and description	Controls/mitigating activities	Movement
People planning and development Mitchells & Butlers has a strong guest focus, and as such it is important that it is able to attract, retain, develop and motivate the best people with the right capabilities throughout the organisation. There is a risk that without the right people our customer service levels would be affected.	• The Company makes significant investment in training to ensure that its people have the right skills to perform their jobs successfully. • Furthermore, an employee survey is conducted annually to establish employee satisfaction and engagement and this is compared with other companies, as well as previous surveys. Where appropriate, changes in working practices are made in response to the findings of these surveys. • Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process is used to provide structured succession planning.	**Risk decreasing**
Business continuity and crisis management Mitchells & Butlers relies on its food and drink supply chain and the key IT systems underlying the business to serve its guests efficiently and effectively. Supply chain interruption, IT system failure or crises such as terrorist activity or the threat of disease pandemic might restrict sales or reduce operational effectiveness.	• The Company has in place crisis and continuity plans that are tested and refreshed regularly. The Company's third-party back-up facility, for Retail Support Centre employees, has been successfully tested to ensure critical business systems are able to function in the event of a disaster. • In addition, during FY 2017, departmental Business Continuity Plans have been revised, updated and reviewed by the Risk Committee.	**No movement**
Information security and disaster recovery There is a risk that inadequate disaster recovery plans and information security processes are in place to mitigate against a system outage, or failure to ensure appropriate back-up facilities (covering key business systems and the recovery of critical data) and loss of sensitive data.	• In FY 2017 a further review of information security, disaster recovery and IT resilience was performed in order to highlight any gaps and address any challenges that had been presented in exploring the viability of a disaster recovery test for our business critical applications. During the year a number of improvements have been made, including: – Further development of the information security steering group. – Group Assurance follow-up review of information security controls. – Review and implementation of appropriate cyber security governance policy and procedures. – Ongoing security awareness initiatives have been and continue to be undertaken. – Penetration testing.	**No movement**
Wage cost inflation There is a risk that increased costs associated with the introduction of the National Living Wage may adversely impact upon overall operational costs.	• A detailed review of the risks associated with successfully implementing the National Living Wage has been completed. This review has been undertaken at a strategic level and seeks to ensure that appropriate mitigating actions are in place, some of which are in relation to how the Group carefully manages productivity and efficiency across the estate. Implementation of the National Living Wage will continue to remain an area of focus in FY 2018. We have successfully implemented a new Time and Attendance system to improve the management controls and reporting of staff hours.	**No movement**

2 OPERATIONAL RISKS CONTINUED

Risk category and description	Controls/mitigating activities	Movement
Borrowing covenants There are risks that borrowing covenants are breached because of circumstances such as: i. A change in the economic climate leading to reduced cash inflows; or ii. A material change in the valuation of the property portfolio.	• The Company maintains headroom against these risks. The finance team conducts daily cash forecasting with periodic reviews at the Treasury Committee, the roles of which include ensuring that the Board Treasury Policy is adhered to, monitoring its operation and agreeing appropriate strategies for recommendation to the Board. • In addition, regular forecasting and testing of covenant compliance is performed and frequent communication is maintained with the Securitisation Trustee.	↔ **No movement**
Pension fund deficit The material value of the pension fund deficit remains a risk.	• The Company has made significant additional contributions to reduce the funding deficit. In July 2017, the Company reached agreement on the triennial valuation of the Group pension schemes as at 31 March 2016, with a funding shortfall of £451m (March 2013 valuation £572m shortfall). • The Company will continue to pay cash contributions (of £46m p.a. indexed) to 2023, with an additional payment of £13m into escrow in 2024 should such further funding be required at that time.	↔ **No movement**
Failure to operate safely and legally A major health and safety failure could lead to illness, injury or loss of life or significant damage to the Company's or a brand's reputation.	• Mitchells & Butlers maintains a robust programme of health and safety checks both within its restaurants and pubs and throughout the supply chain. • The dedicated Safety Assurance team uses a number of technical partners including food technologists, microbiologists and allergen specialists to ensure that our food procedures are safe. • Regular independent audits of trading sites are performed to ensure that procedures are followed and that appropriate standards are maintained. • Food suppliers are required to meet the British Retail Consortium Global Standard for Food Safety and are subject to regular safety and quality audits. • Comprehensive health and safety training programmes are in place.	↔ **No movement**
Food supply chain safety Malicious or accidental contamination in the supply chain could lead to food goods for resale being unfit for human consumption or being dangerous to consume. This could lead to restrictions in supply which in turn causes an increase in cost of goods and reduced sales due to consumer fears and physical harm to customers/employees.	• M&B has a Safety Assurance team and uses a number of technical partners including food technologists, food safety experts, a microbiologist, allergy consultants, trading standards specialists, nutritionists etc. • M&B uses a robust system of detailed product specifications. • All food products are risk rated using standard industry definitions and assessment of the way the products are used in M&B kitchens. Suppliers are then risk rated according to their products. • Each food supplier is audited at least once per annum in respect of safety and additionally in response to a serious food safety complaint or incident.	↔ **No movement**

Long-term viability statement

In accordance with the Corporate Governance Code, the Directors have undertaken an assessment, including sensitivity analyses, of the prospects of the Group, for a period of three years to September 2020. This assessment has been made taking account of the current financial position, compliance with covenants, Company strategy, budget planning process and the key risks and uncertainties, as detailed within the Annual Report.

The Group's strategy provides a long-term direction and is reviewed on at least an annual basis, including three year forecasts, detailing the expected financial impact.

The Directors have therefore concluded, based upon the extent of the financial planning assessment, sensitivity analysis and current financial position that there is a reasonable expectation that the Group has adequate resources and will be able to continue in operation and meet all its liabilities as they fall due over the three year period of assessment.

OUR FINANCIAL AND OPERATING PERFORMANCE

On a statutory basis, profit before tax for the year was £77m (FY 2016 £94m), on sales of £2,180m (FY 2016 £2,086m).

Tim Jones
Finance Director

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

The financial year being reported on was a 53 week period, therefore in order to facilitate comparison to prior year a restated 52 week summary of performance measures is detailed below. All year-on-year growth rates in the financial review are provided on a 52 week basis.

	FY 2017 53 weeks £m	FY 2017 52 weeks £m	FY 2016 52 weeks £m	Variance 52 weeks
Revenue	2,180	2,141	2,086	2.6%
Adjusted operating profit[a]	314	308	318	(3.1%)
Adjusted PBT	183	180	181	(0.6%)
Adjusted EPS[a]	34.9p	34.4p	34.9p	(1.4%)
Adjusted operating profit margin	14.4%	14.4%	15.2%	(0.8ppts)

At the end of the period, the total estate comprised 1,695 managed businesses and 59 leased businesses, in the UK and Germany.

Changes in accounting policies

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

Revenue

The Group's total revenues of £2,141m were 2.6% higher than last year, with growth in like-for-like sales supported by new site openings.

Total like-for-like sales[a] grew by 1.8% with food sales up by 1.4% and drink sales by 2.1%. Average spend per item on food was up 5.6%, and average drink spend up 3.9%, reflecting the impact of pricing and the increasing premiumisation of the estate. The uninvested estate saw an improvement in like-for-like sales trajectory of 0.6ppts over the course of the year.

Like-for-like sales[a] growth	Weeks 1–33 FY 2017	Weeks 34–53 FY 2017	Weeks 1–53 FY 2017
Food	1.4%	1.3%	1.4%
Drink	2.4%	1.7%	2.1%
Total	1.9%	1.6%	1.8%

Separately disclosed items

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

A £51m charge was recognised relating to the downward valuation movements on selected sites in the property portfolio resulting from the revaluation (FY 2016 £80m).

A £17m charge for impairment of short leaseholds and unlicensed properties (FY 2016 £8m) was recognised as a result of our annual review of asset carrying values.

A £4m impairment charge was recognised in relation to assets held for sale at the half year and disposed of prior to the year end.

During the year we completed a review focusing on the challenges around sites not currently generating an economic return, the majority of which are short leasehold sites in retail and leisure park locations. With lower footfall on many of these parks and an uncertain economic outlook, alongside increased cost pressures such as living wage, business rates, apprenticeship levy, sugar tax and food price inflation we believe that a number of sites will now be challenged to achieve a breakeven performance. We have therefore extended both the number of sites for which a provision is made and the period recognised. In addition, we have reduced the discount rate used to calculate the present value of the provision to an estimation of the risk free rate. The impact of these judgements is a charge of £35m in the year.

Operating margins

Inflationary cost pressures have continued to impact the business and have driven a year-on-year operating margin reduction. Cost increases for the year have impacted labour, utilities, property costs, duty, and food and drink costs. Adjusted operating margins[a] for the full year were 0.8ppts lower than last year at 14.4%.

Adjusted operating profit[a] of £308m was 3.1% lower than last year as a result of the inflationary cost pressures outlined above partially offset by mitigating cost reductions and the improvement we have made in both the invested and uninvested estates' sales performance in the period.

Internal rent

A regime of internal rent is in place to enable greater internal transparency around the performance of freehold and long leasehold properties. Operating performance is monitored on a regular basis through a system of profit reviews through all levels of the Group. Estate management is primarily undertaken and monitored by the Portfolio Development Committee.

Interest

Net finance costs of £131m for the full year (53 week basis) were £6m lower than last year, reflecting a lower net pensions finance charge of £7m (FY 2016 £12m), and a reduction in Group securitised borrowings.

The full year pensions finance charge for next year will be around £7m.

Earnings per share

Basic earnings per share, after the separately disclosed items described above, were 15.1p (FY 2016 21.6p). Adjusted earnings per share[a] were 34.4p, 1.4% lower than last year. The weighted average number of shares in the period of 418m has increased due to the issue of shares as scrip dividends. The total number of shares issued at the balance sheet date is 423m.

Cash flow and net debt

The cash flow statement below excludes the net movement on unsecured revolving facilities of £(25)m (FY 2016 £31m).

	FY 2017 £m	FY 2016 £m
EBITDA before adjusted items[a]	**429**	431
Working capital movement/ non-cash items	**(10)**	(7)
Pension deficit contributions	**(46)**	(49)
Cash flow from operations before adjusted items	**373**	375
Capital expenditure	**(169)**	(167)
Interest	**(121)**	(125)
Tax	**(26)**	(28)
Disposals and other	**46**	5
Cash flow before adjusted items	**103**	60
Mandatory bond amortisation	**(77)**	(67)
Net cash flow before dividends	**26**	(7)
Dividend	**(12)**	(31)
Net free cash flow[a]	**14**	(38)

The business generated £429m of EBITDA before separately disclosed items which are predominantly non-cash. Capital expenditure of £169m was only marginally higher than the prior year although the accelerated capital programme was partially offset by a reduction in maintenance expenditure. Disposals income of £46m is in relation to the 79 sites sold during the year. The annualised EBITDA of these sites was around £5m. After capital expenditure, disposals income, interest and tax, £103m of cash flow was generated by the business. The cash dividend payment of £12m is lower than last year due to take up on the scrip dividend alternative.

Net debt of £1,750m at the year end (FY 2016 £1,840m), represented 4.2 times adjusted EBITDA[a] on a 52 week basis (FY 2016 4.3 times).

Capital allocation

The Group has a number of fixed charges on its cash flow which it needs to cover before discretionary items, as shown in the cash flow statement above. Namely:

- Pension deficit contributions of £46m per annum indexed until 2023 under the current (2016) triennial agreement; and
- Mandatory bond amortisation within the existing securitisation. Over the next five years from FY 2018 to FY 2022 this will be £82m, £87m, £95m, £104m and £110m respectively.

Neither of these items results in a direct charge against earnings in the Income Statement. As such Group capital allocation decisions, particularly across capital expenditure (both on the existing estate and new sites), short-term borrowings and dividends to shareholders, are assessed on a cash rather than an earnings basis. In making these choices the Board considers investment to maintain the condition and competitiveness of the existing estate to be of primary importance for the long-term health of the business.

Cash flow to the parent company is derived from dividends from subsidiaries, including the securitised estate. To the extent that cash flow to the parent company in any given year, having met all other obligations, is insufficient to fund dividend payments then this must be financed by short-term facilities. During the year the parent company renewed its committed short-term facilities of £150m, now expiring in December 2020. These were only marginally drawn at the balance sheet date. The Board views the holding of these facilities as a necessary buffer to accommodate volatility in its cash usage and requirements. It does not see them as a substitute for longer-term debt or as a means to fund an ongoing dividend stream. As such, when assessing dividends, the Board would not expect to see a structural, or permanent, increase in the usage of these facilities.

Capital expenditure

Total maintenance and infrastructure capex of £53m was £28m lower than the prior year, due to increased remodel and conversion activity supported by initiatives to improve the cost efficiency of maintenance work.

During the year we completed 252 remodels and conversions (FY 2016 252 sites) and opened 13 new sites (FY 2016 8 sites) with investment of return generating capital increasing by £30m. Acquisitions were primarily focused on premiumisation with the opening of six new Miller & Carter sites, including one purpose-built restaurant, and five new All Bar Ones. Similarly, the higher proportion of Miller & Carter conversions resulted in the average spend per project increasing, a reflection of the premiumisation strategy.

The EBITDA return across all conversion and acquisition capital invested since FY 2014 is 18%, with projects since the start of the financial year returning 22%. Recent remodel performance has been encouraging, delivering sales uplifts in excess of 10%.

	FY 2017		FY 2016	
	£m	**No.**	£m	No.
Maintenance and infrastructure	**53**		81	
Remodels – refurbishment	**42**	**143**	34	137
Remodels – expansionary	**14**	**31**	13	38
Conversions	**39**	**78**	31	77
Acquisitions – freehold	**3**	**1**	1	2
Acquisitions – leasehold	**18**	**12**	7	6
Total return generating capital expenditure	**116**	**265**	86	260
Total capital expenditure	**169**		167	

The Group capital expenditure on the existing estate going forward is expected to be around £180m per year.

Property

In line with our property valuation policy, a red book valuation of the freehold and long leasehold estate has been completed in conjunction with the independent property valuer, CBRE. In addition, the Group has conducted an impairment review on short leasehold and unlicensed properties. The overall property portfolio has increased by £2m (FY 2016 increase of £128m) reflecting a £72m separately disclosed charge in the income statement and a £74m increase in the revaluation reserve.

Pensions

During the year the Company reached agreement on the 2016 triennial pensions valuation with the scheme trustees. The agreed deficit of £451m as at 31 March 2016 (2013 £572m) will be funded by an unchanged level of cash contributions (of £46m pa indexed) to 2023, as per the agreement reached in 2013.

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

Dividend policy

Payment of dividends is recognised as an important element of overall shareholder return where this can be achieved sustainably and without undue risk to the ongoing and future health of the business. To that end in determining the affordable level of dividend in any year a number of factors are taken into account. Namely:

- The level of dividend cover both in the current year and looking forward. The Board considers cash flow, rather than earnings, to currently be the more constraining factor on assessing dividends.
- The future investment requirements of the business and the availability and attractiveness of potential strategic opportunities.
- The maintenance of a degree of headroom or prudence against assumptions, particularly with regard to the principal risks as identified in our Annual Report.
- The assessment of the ongoing prospects of the business, having notice of the macroeconomic and sector outlook and the anticipated business performance within that.
- The level of available distributable reserves in the parent company.

The Board keeps its dividend policy in constant review in the context of its capital allocation policies, capital structure, and inherent visibility on trading. We do not expect to declare an interim dividend in the current financial year but will make an assessment of pay-out at the end of the year based on a full year of trading and development of the sector outlook, using the criteria set out above.

For the FY 2017 financial year the Board has recommended a final dividend of 5.0p per share (full year 7.5p per share) which will be paid on 6 February 2018 to shareholders on the register at the close of business on 15 December 2017. The Board intends to make a scrip dividend alternative available to shareholders, details of the procedure to access this alternative are available on the Company website.

Tim Jones
Finance Director

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid understanding of the Group's performance. Key measures are explained on pages 140 to 142 of this report.

GOVERNANCE

In this section

Chairman's introduction to Governance

Bob Ivell
Non-Executive Chairman

One of the key roles for the Board of Directors at Mitchells & Butlers is to provide leadership for around 46,000 employees and maintain the highest possible standards of corporate governance.

Dear fellow shareholder

It gives me great pleasure to update you on our progress in corporate governance over the past year.

One of the key roles for the Board of Directors at Mitchells & Butlers is to provide leadership for around 46,000 employees and maintain the highest possible standards of corporate governance. The Board continues to monitor developments in corporate governance and reporting regulations. The Strategic report on pages 1 to 43 includes the Group's strategy, progress and performance for the year.

There have been no Board changes during the year and the Board as a whole has continued to work together to implement the Company's strategy in a cohesive way. Our broad range of Board talent covers a variety of professional skills and our diverse group of Non-Executive Directors continue to bring much experience and challenge to the Board. My focus continues to be on maintaining a strong team, with a broad range of professional backgrounds and skills to drive further improvements where possible.

For 2017 we carried out an internal review of the Board's effectiveness, and the results of this can be found on page 61.

The remainder of this report contains the narrative reporting required by the UK Corporate Governance Code, the Listing Rules and the Disclosure Guidance and Transparency Rules. I hope that you find this report to be informative and helpful in relation to this important topic.

We are committed to maintaining an active dialogue with all our shareholders, and we continue to offer our institutional investors access to key senior management and our Investor Relations team via our Investor Roadshow programme. I would like to encourage shareholders to attend our Annual General Meeting, details of which are set out in the separate Notice of AGM sent out with this Annual Report. The use of our Retail Support Centre in Birmingham as a venue for our AGM has proved to be a success (as well as a cost saving) and so we intend to use the same facility for the 2018 AGM and we look forward to welcoming you, where I hope you will take the opportunity of meeting our Executive and Non-Executive Board Directors.

I look forward to the year ahead, confident in the knowledge that the Company is led by a highly competent, professional and motivated team. I also look forward to the support of you, our shareholders, as our senior management team continues to focus on driving future profit growth and creating additional shareholder value.

Bob Ivell
Chairman

For the Company's latest financial information
go to: www.mbplc.com/investors

Board of Directors
Knowledge and experience

Bob Ivell
Non-Executive Chairman
Aged 65
Appointed to the Board in May 2011, Bob has over 30 years of extensive food and beverage experience with a particular focus on food-led, managed restaurants, pubs and hotels. He is currently Non-Executive Chairman of Carpetright plc, a Non-Executive Director of Charles Wells Limited and President of The Association of Licensed Multiple Retailers. He was previously Senior Independent Director of AGA Rangemaster Group plc and Britvic plc, and a main Board Director of S&N plc as Chairman and Managing Director of its Scottish & Newcastle retail division. He has also been Chairman of Regent Inns, Park Resorts and David Lloyd Leisure Limited, and was Managing Director of Beefeater Restaurants, one of Whitbread's pub restaurant brands, and a Director of The Restaurant Group. Bob is Chair of the Nomination Committee and of the Market Disclosure Committee.

Phil Urban
Chief Executive
Aged 54
Phil joined Mitchells & Butlers in January 2015 as Chief Operating Officer and became Chief Executive in September 2015. Phil was previously Managing Director at Grosvenor Casinos, a division of Rank Group and Chairman of the National Casino Forum. Prior to that, he was Managing Director for Whitbread's Pub Restaurant division, and for Scottish & Newcastle Retail's Restaurants and Accommodation Division. Phil has an MBA and is a qualified management accountant (CIMA).

Tim Jones
Finance Director
Aged 54
Tim was appointed Finance Director in October 2010. Prior to joining the Company, he held the position of Group Finance Director for Interserve plc, a support services group. Previously, he was Director of Financial Operations at Novar plc and held senior financial roles both in the UK and overseas in the logistics company, Exel plc. Tim is a member of the Institute of Chartered Accountants in England and Wales and obtained an MA in Economics at Cambridge University.

Ron Robson
Deputy Chairman
Aged 54
Appointed as Deputy Chairman in July 2011, Ron is a Managing Director of Tavistock Group, Chief Executive of Ultimate Finance Group, Chairman of Avenue Insurance Partners and a Non-Executive Director of Tottenham Hotspur Limited. He was previously Chief Financial Officer of Tamar Capital Partners and Group Finance Director of Kenmore, both property investment and management groups. From 2005 to 2008 he was Group Finance Director of The Belhaven Group plc, a listed pub retailing, brewing and drink distribution group. Prior to that he held a number of senior finance roles including Group Finance Director of a listed shipping and logistics group, and trained as a Chartered Accountant with Arthur Andersen. Ron is a nominated shareholder representative of Piedmont Inc.

Colin Rutherford
Independent Non-Executive Director
Aged 58
Appointed as an independent Non-Executive Director in April 2013, Colin is currently Chairman of Brookgate Limited and Teachers Media plc. He is also a Non-Executive Director of Evofem Biosciences Inc. and Renaissance Services SAOG amongst his other activities. He was formerly Executive Chairman of MAM Funds plc and Euro Sales Finance plc and has served as a Director of various other public and private companies in the UK and overseas. Colin is a member of the Institute of Chartered Accountants of Scotland and has directly relevant corporate finance experience in both the leisure and hospitality industries. Colin is Chairman of the Audit Committee, and serves on all other independent governance committees.

Imelda Walsh
Independent Non-Executive Director
Aged 53
Appointed as an independent Non-Executive Director in April 2013, Imelda is a Non-Executive Director, and Chair of the Remuneration Committees of William Hill plc and FirstGroup plc. She was a Non-Executive Director, and Chair of the Remuneration Committee, of Mothercare plc from 2013 to 2016 and of Sainsbury's Bank plc from 2006 to 2010. She has held senior Executive roles at J Sainsbury plc, where she was Group HR Director from March 2004 to July 2010, Barclays Bank plc and Coca-Cola & Schweppes Beverages Limited. Imelda is Chair of the Remuneration Committee.

Stewart Gilliland
Senior Independent Director
Aged 60
Appointed as an independent Non-Executive Director in May 2013 and as Senior Independent Director in February 2015. Stewart was Chief Executive Officer of Muller Dairy (UK) Limited until 2010 and prior to that held senior management positions in InBev SA, Interbrew UK Limited and Whitbread plc. He is currently Chairman of Booker Group Plc and Curious Drinks Limited and a Non-Executive Director of C&C Group plc and Nature's Way Foods Limited.

Eddie Irwin
Non-Executive Director
Aged 58
Appointed as a Non-Executive Director in March 2012, Eddie is a nominee of Elpida Group Limited, a significant shareholder in Mitchells & Butlers. Eddie is Finance Director of Coolmore, a leading thoroughbred bloodstock breeder with operations in Ireland, the USA and Australia and a Non-Executive Director of Grove Ltd, the holding company of Barchester Healthcare Limited. He graduated from University College Dublin, with a Bachelor of Commerce Degree and he is a Fellow of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators.

Josh Levy
Non-Executive Director
Aged 27
Appointed a Non-Executive Director in November 2015, Josh is a nominated shareholder representative of Piedmont Inc., a significant shareholder in Mitchells & Butlers. Josh is an Investment Analyst at Tavistock Group having previously worked in the Investment Banking Division of Investec Bank. Josh holds an MSc and a BA (Hons) from the University of Nottingham.

Keith Browne
Non-Executive Director
Aged 48
Appointed as a Non-Executive Director in September 2016, Keith is a representative of Elpida Group Limited, a significant shareholder in Mitchells & Butlers. Keith obtained a Bachelor of Commerce Degree from University College Dublin, qualified as a chartered accountant in 1994 and subsequently gained an MBA from University College Dublin. After joining KPMG Corporate Finance in 1996, he became a partner in the firm in 2001 and Head of Corporate Finance in 2009. He retired from the partnership to operate as an Independent Consultant in 2011.

Dave Coplin
Independent Non-Executive Director
Aged 47
Appointed as an independent Non-Executive Director in February 2016, Dave is the CEO and founder of The Envisioners Limited and was formerly the Chief Envisioning Officer for Microsoft Limited, and is an established thought leader on the role of technology in our personal and professional lives. For over 25 years he has worked across a range of industries and customer marketplaces, providing strategic advice and guidance around the role and optimisation of technology in the modern society both inside and outside of the world of work.

The Board's responsibilities in respect of the Company include:

- Determining the overall business and commercial strategy
- Identifying the Company's long-term objectives
- Reviewing the annual operating budget and financial plans and monitoring performance in relation to those plans
- Determining the basis of the allocation of capital
- Considering all policy matters relating to the Company's activities including any major change of policy

For the Company's latest financial information
go to: www.mbplc.com/investors

The Directors present their report and the audited financial statements for the 53 weeks ended 30 September 2017. The Business review of the Company and its subsidiaries is given on pages 14 to 17 which, together with the Corporate governance statement and Audit Committee report, are incorporated by reference into this report and, accordingly, should be read as part of this report.

Details of the Group's policy on addressing risks are given on pages 36 to 40 and 60 and 61, and details about financial instruments are shown in note 4.4 to the financial statements. These sections include information about trends and factors likely to affect the future development and performance of the Group's businesses. The Company undertakes no obligation to update forward-looking statements.

Key performance indicators for the Group's businesses are set out on pages 28 and 29.

This report has been prepared under current legislation and guidance in force at the year end date. In addition, the material contained on pages 1 to 43 reflects the Directors' understanding of the requirement to provide a Strategic report.

This report has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come or who becomes aware of it and any such responsibility or liability is expressly disclaimed.

Areas of operation

Throughout FY 2017 the Group had activities in, and operated through, pubs, bars and restaurants in the United Kingdom and Germany.

Share capital

The Company's issued ordinary share capital as at 30 September 2017 comprised a single class of ordinary shares of which 422,548,604 shares were in issue and listed on the London Stock Exchange (24 September 2016 413,624,294 shares). The rights and obligations attaching to the ordinary shares of the Company are contained within the Company's Articles of Association. Of the issued share capital, no shares were held in treasury and the Company's employee share trusts held 1,748,942 shares. Details of movements in the issued share capital can be found in note 4.7 to the financial statements on page 131. Each share carries the right to one vote at general meetings of the Company. The notice of the Annual General Meeting specifies deadlines for exercising voting rights in relation to the resolutions to be put to the Annual General Meeting.

All issued shares are fully paid up and carry no additional obligations or special rights. There are no restrictions on transfers of shares in the Company, or on the exercise of voting rights attached to them, other than those which may from time to time be applicable under existing laws and regulations and under the Articles of Association. In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the prior approval of the Company to deal in the ordinary shares of the Company.

Participants in the Share Incentive Plan ('SIP') may complete a Form of Instruction which is used by Equiniti Share Plan Trustees Limited, the SIP Trustee, as the basis for voting on their behalf.

During the year, shares with a nominal value of £35,705 were allotted under all-employee schemes as permitted under Section 549 of the Companies Act 2006, and shares with a nominal value of £726,579 were allotted pursuant to the Scrip Dividend Scheme. No securities were issued in connection with a rights issue during the year.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

Interests of the Directors and their immediate families in the issued share capital of the Company as at the year end are on page 83 in the Report on Directors' remuneration.

Dividend

The Board recommends a final dividend for the 53 weeks ended 30 September 2017 of 5p per share to be paid on 6 February 2018 to shareholders on the register at close of business on 15 December 2017. This makes a total dividend for the year of 7.5p per share (FY 2016 7.5p per share). As set out in the Notice of the Annual General Meeting sent to shareholders with this Annual Report, the Company will seek authority from its shareholders at that meeting to offer a scrip dividend alternative to a cash dividend. More details of that scrip dividend alternative are set out in the explanatory notes which accompany that Notice.

Shareholders who hold share certificate(s) will need to complete a Scrip Dividend Mandate Form, which can be found on our website www.mbplc.com or by contacting Equiniti on 0371 384 2065. The completed Scrip Dividend Mandate form should be returned to the registrars no later than 5pm on 16 January 2018.

Shareholders who hold their shares in CREST and who wish to elect for the Scrip Dividend should complete an election through CREST no later than 5pm on 16 January 2018. Please refer to the elections process document available at www.shareview.co.uk/info/reinvest

Shareholders who do not hold their shares in CREST and who have already submitted a Scrip Dividend Mandate form do not need to submit a new mandate form. The existing Mandate form will continue in force for those shareholders who do not hold shares in CREST unless and until notice of cancellation is received by the Company's registrars not less than 15 working days before the date on which the dividend is to be paid.

Interests in voting rights

As at the date of this report, the Company was aware of the following significant holdings of voting rights (3% or more) in its shares:

Shareholder	Ordinary shares	% of share capital*	
Piedmont Inc.	113,026,256	26.74	Direct holding
Elpida Group Limited	98,969,081	23.42	Direct holding
Standard Life Aberdeen plc	60,288,713	14.26	Indirect holding
Smoothfield Holding Limited	18,668,553	4.42	Direct holding

* Using the total voting rights figure announced to the London Stock Exchange for 31 October 2017 of 422,639,413 shares.

Directors

Details of the Directors as at 22 November 2017 and their biographies are shown on pages 46 and 47. The Directors at 30 September 2017 and their interests in shares are shown on page 83. There were no changes to the Board of Directors during the year nor subsequent to the year end, up to the date of this report.

The Company is governed by its Articles of Association and the Companies Act 2006 and related legislation in relation to the appointment and removal of Directors. The powers of the Company's Directors are set out in the Company's Articles of Association.

In accordance with the Company's Articles of Association (which are in line with best practice guidance of the UK Corporate Governance Code), all the Directors will retire at the AGM and will offer themselves for re-election.

Under a Deed of Appointment between Piedmont Inc. and the Company, Piedmont Inc. has the right to appoint two shareholder Directors to the Board whilst it owns 22% or more of the issued share capital of the Company, and the right to appoint one shareholder Director to the Board whilst it owns more than 16% of the Company but less than 22%. In the event that Piedmont Inc. owns less than 16% of the Company any such shareholder Directors would be required to resign immediately.

The Company's two largest shareholders, Piedmont Inc. and Elpida Group Limited, have nominated representatives on the Board. Piedmont's appointment rights are formalised in the Deed of Appointment referred to in this report but there is no equivalent agreement in place between the Company and Elpida. The Elpida representatives were appointed with the approval of the Board in March 2012 and September 2016. The Board has carefully considered whether it would be appropriate to enter into a formal agreement with Elpida that is similar to the existing agreement between the Company and Piedmont. Having taken into account the Financial Reporting Council's report of August 2014 'Towards Clear & Concise Reporting' and the views expressed previously by certain of the investor representative bodies, the Board considers that such an agreement would be merely one of form rather than substance and not in the interests of shareholders generally. As a result, the Board does not propose currently that the Company should enter into such an agreement with Elpida, and Elpida has not to date sought such an agreement. The Board considers that the Company is acting in accordance with good governance principles in working with our significant long-term shareholders towards our common goals and the achievement of the Company's strategy, with continued stability at Board level.

Directors' indemnity

As permitted by the Articles of Association, each of the Directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each Director during the last financial year, and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors. No indemnity is provided for the Company's auditor.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders of the Company.

Conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('Situational Conflicts'). The Board has a formal system in place for Directors to declare Situational Conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company for the benefit of all shareholders, and they may impose limits or conditions when giving authorisation, or subsequently, if they think this is appropriate. The Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.

Related party transactions

Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm's-length basis and are properly recorded.

Change of control provisions

There are no significant agreements which contain provisions entitling other parties to such agreements to exercise termination or other rights in the event of a change of control of the Company.

There are no provisions in the Directors' or employees' service agreements providing for compensation for loss of office or employment occurring because of a takeover.

The trustee of the Company's SIP will invite participants on whose behalf it holds shares to direct it how to vote in respect of those shares, and, if there is an offer for the shares or other transaction which would lead to a change of control of the Company, participants may direct it to accept the offer or agree to the transaction. The trustee of the Mitchells & Butlers Employee Benefit Trust may, having consulted with the Company, vote or abstain from voting in respect of any shares it holds or accept or reject an offer relating to shares in any way it sees fit, and it may take all or any of the following matters into account: the long-term interests of beneficiaries, the non-financial interests of beneficiaries, the interests of beneficiaries in their capacity as employees or former employees, the interests of future beneficiaries and considerations of a local, moral, ethical, environmental or social nature.

The rules of certain of the Company's share plans include provisions which apply in the event of a takeover or reconstruction, as set out below.

Provisions which apply in the event of a takeover or reconstruction

Share plan	Provision in the event of a takeover
2013 Performance Restricted Share Plan	Awards vest pro rata to performance and time elapsed and lapse six months later
2013 Short Term Deferred Incentive Plan	Bonus shares may be released or exchanged for shares in the new controlling company
2013 Sharesave Plan	Options may be exercised within six months of a change of control
Share Incentive Plan	Free shares may be released or exchanged for shares in the new controlling company

Employment policies

The Group employed an average of 45,891 people in FY 2017 (FY 2016 44,475). Through its diversity policy, the Company seeks to ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities.

Our policies and procedures fully support our disabled colleagues. We take active measures to do so via:

- a robust reasonable adjustment policy;
- disability-specific online resources (accessible via the Group's online recruitment system); and
- processes to ensure colleagues are fully supported.

The Group is responsive to the needs of its employees. As such, should any employee of the Group become disabled during their time with us, we will actively retrain that employee and make reasonable adjustments to their environment where possible, in order to keep the employee with the Group.

Employee engagement

Mitchells & Butlers engages with its employees continuously and in a number of ways to suit their different working patterns. This includes:

- line manager briefings;
- communications forums and roadshows held by functions or brands across the Company;
- a dedicated intranet for the Retail Support Team;
- 'Mable', the M&B online learning system;
- email news alerts;
- focus groups;
- weekly bulletins – specifically targeted at retail house managers and mobile workers;
- employee social media groups; and
- a monthly magazine poster, Frontline News, for the retail estate.

Details of the financial and economic factors affecting the performance of the Company are shared with all employees at the appropriate time using the methods listed above.

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in restaurants and pubs and engagement surveys for all employees to the Mitchells & Butlers annual Business Forum. Business Forum representatives collect questions from employees across the Company and put them to members of the Executive Committee. The questions and answers are published in Frontline News and online.

Since Mable was launched in July 2017, the STAR programme, a universal training needs analysis and learning resource for all retail roles, has now been used by over 8,800 new team members as an integral part of the businesses induction process. STAR is supported by coaching material that has been produced for every technical task associated with a job in hospitality, the visual training library enables our teams to access up to date and relevant information from any hand held or desk top device, and a progress report enables every member of the organisation to understand the skills and progress of our people. The introduction of Mable, the business's social learning platform, has enabled the business to direct key training messages contained within STAR quickly and efficiently to the front line.

Mitchells & Butlers operates the Challenge 21 policy in all our businesses across England and Wales (and a Challenge 25 policy in our Scottish businesses). The policy requires that any guest attempting to buy alcohol who appears under the age of 21, must provide an acceptable form of proof of age ID to confirm that they are over 18, before they can be served. This policy forms part of our regular training for our employees on their responsibilities for serving alcohol.

Mitchells & Butlers is keen to encourage greater employee involvement in the Group's performance through share ownership. It operates two HMRC approved all-employee plans, which are the 2013 Sharesave Plan and the Share Incentive Plan (which includes Partnership shares). The Company also operates two other plans on a selective basis, which are the 2013 Performance Restricted Share Plan and the 2013 Short Term Deferred Incentive Plan. Further details on the plans are set out in the Report on Directors' remuneration.

During the year, the Company has remained within its headroom limits for the issue of new shares for share plans as set out in the rules of the above plans. The Company uses an employee benefit trust to acquire shares in the market when appropriate to satisfy share awards in order to manage headroom under the plan rules. No shares in the Company were purchased by the employee benefit trust during FY 2017.

Political donations

The Company made no political donations during the year and intends to maintain its policy of not making such payments. It will, however, as a precautionary measure to avoid inadvertent breach of the law, seek shareholder authority at its 2018 AGM to make limited donations or incur limited political expenditure, although it has no intention of using the authority.

Funding and liquidity risk

In order to ensure that the Group's long-term funding strategy is aligned with its strategic objectives, the Treasury Committee regularly assesses the maturity profile of the Group's debt, alongside the prevailing financial projections and three year plan. This enables it to ensure that funding levels are appropriate to support the Group's plans.

The current funding arrangements of the Group consist of the securitised notes issued by Mitchells & Butlers Finance plc (and associated liquidity facility) and £150m of unsecured committed bank facilities. Further information regarding these arrangements is included in note 4.2 to the financial statements on page 118. The terms of the securitisation and the bank facilities contain a number of financial and operational covenants. Compliance with these covenants is monitored by Group Treasury.

The Group prepares a rolling daily cash forecast covering a six-week period and an annual cash forecast by period. These forecasts are reviewed and used to manage the investment and borrowing requirements of the Group. A combination of cash pooling and zero balancing agreements is in place to ensure the optimum liquidity position is maintained. Committed facilities outside of the securitisation are sized to ensure that the Group can meet its medium-term anticipated cash flow requirements.

Going concern

The financial statements which appear on pages 88 to 139 have been prepared on a going concern basis. The Directors have reviewed the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group's financing is based on securitised debt and unsecured bank facilities and, within this context, a robust review has been undertaken of projected performance against all financial covenants. As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. See section 1 of the financial statements on page 101 for the Company's going concern statement, and page 40 for the Company's long-term viability statement.

Annual General Meeting

The notice convening the Annual General Meeting is contained in a circular sent to shareholders with this report and includes full details of the resolutions proposed.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and its reappointment will be put to shareholders at the AGM.

Post-balance sheet events

There are no post-balance sheet events to report.

Disclosure of information to auditor

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and each Director has taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Greenhouse gas ('GHG') emissions statement

The Group generates GHG emissions throughout its estate of bars and restaurants for heating, cooling, lighting and catering including the refrigeration and preparation of food and drink.

GHG emissions per £m turnover were reduced by 8.1% during the 2016/17 tax year in comparison to 2015/16 in response to a range of behavioural change activities. This reduction has been achieved despite increasing sales although it should be noted that conversion factors have also reduced, particularly for grid supplied electricity due to a reduction in coal generation which has been balanced by an increase in cleaner gas and renewables generation.

Assessment parameters	
Assessment year	2016/17 Tax Year
Consolidation approach	Financial control
Boundary summary	All bars and restaurants either owned or under operational control during the 2016/17 tax year were included.
Scope	General classifications of greenhouse gas emissions scopes based on the GHG protocol and ISO14064-1:2006 within the context of the Group's operations are as follows: **Scope 1** – direct greenhouse gas emissions from sources that are owned or controlled by the Group, e.g. fuel combustion of varying types, occurs during kitchen activity and to generate heating and domestic hot water most commonly through natural grid supplied gas, but also some LPG (Liquefied Petroleum Gas) and oil. Real fires fuelled by logs or coal are also used to supplement customer comfort and enhance ambience. **Scope 2** – GHG emissions from the generation of purchased electricity used during kitchen activity and for lighting, heating and cooling. **Scope 3** – indirect emissions as a consequence of the activities of the Group, but occurring from sources not owned or controlled by the Group. This assessment focuses on scope 1 and 2 emissions only (scope 3 is optional under the current regulations).
Consistency with the financial statements	Scope 1 and 2 emissions are reported for the 2016/17 and 2015/16 tax years to retain consistency with reporting of our carbon emissions under the Carbon Reduction Commitment ('CRC') Energy Efficiency Scheme. Scope 1 and 2 emissions from sites with 'landlord supplies' are not included in the CRC submission. Franchise sites are excluded as they are responsible for arranging and paying for their own energy. Alex sites in Germany are included. Emissions are based on UK average emissions multiplied by the number of Alex sites.
Exclusions	**Scope 1** – Vehicle fleet emissions are excluded as they have been calculated to account for <1% total emissions which falls below the materiality threshold. **Scope 1** – Fugitive emissions within refrigeration and cooling equipment are not included as detailed records are not yet held. **Outside of scope** – Logs are 'outside of scope' because the scope 1 impact of these fuels has been determined to be a net '0'. However, the CO_2e value of logs has been calculated to be <1% and would be excluded in any case as this falls below the materiality threshold.
Emission factor data source	All carbon emission factors used are taken from the Government emission conversion factors for greenhouse gas company reporting published by BEIS (formerly DEFRA). The 2016 version of the factors has been applied to the 2016/2017 consumption data set and the 2015 version has been applied to the 2015/2016 consumption data set.
Assessment methodology	Defra Environmental Guidelines 2013.
Materiality threshold	All emission types estimated to contribute >1% of total emissions are included.
Intensity threshold	Emissions are stated in tonnes CO_2e per £m revenue. This intensity ratio puts emissions into context given the scale of the Group's activities and enables comparison with prior year performance.
Target	Emissions during the 2015/16 tax year are provided for comparative purposes. It should be noted that the 2015/16 emissions have been re-calculated with electricity transmission and distribution losses removed as these are now classed as Scope 3 emissions.

Greenhouse gas emissions source	2015/16 (tCO₂e)	2015/16 (tCO₂e/£m)	**2016/17 (tCO₂e)**	**2016/17 (tCO₂e/£m)**	**Change from previous year (tCO₂e)**	**Change from previous year (tCO₂e/£m)**	**Change from previous year % movement in tCO₂e/£m**
Scope 1	96,014	46.0	**95,993**	**45.4**	**(21)**	**(0.6)**	**(1.3%)**
Scope 2	183,183	87.8	**163,960**	**77.6**	**(19,223)**	**(10.2)**	**(11.6%)**
Statutory total (Scope 1 & 2)*	279,197	133.8	**259,953**	**123.0**	**(19,244)**	**(10.8)**	**(8.1%)**

* Statutory carbon reporting disclosures required by the Companies Act 2006.

Modern Slavery Act 2015

In accordance with the requirements of the Modern Slavery Act, the Board has approved and the Company has accordingly published its compliance statement on its website. This can be accessed at www.mbplc.com

By order of the Board

Greg McMahon
Company Secretary and General Counsel
22 November 2017

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 22 November 2017 and is signed on its behalf by:

Tim Jones
Finance Director
22 November 2017

Bob Ivell
Chairman

Corporate governance statement

This corporate governance statement sets out our report to shareholders on the status of our corporate governance arrangements.

The Board is responsible for ensuring that the activities of the Mitchells & Butlers Group and its various businesses are conducted in compliance with the law, regulatory requirements and rules, good practices, ethically and with appropriate and proper governance and standards. This includes reviewing internal controls, ensuring that there is an appropriate balance of skills and experience represented on the Board and compliance with the UK Corporate Governance Code (the 'Code'), which is issued by the Financial Reporting Council and which is available at www.frc.org.uk, and for maintaining appropriate relations with shareholders.

In 2016, the Company reported against the 2014 version of the Code. In September 2015, the FRC published a consultation on revisions to Ethical and Auditing Standards, the UK Corporate Governance Code and related Guidance on Audit Committees and, as a result of this consultation, the FRC issued an updated UK Corporate Governance Code and associated Guidance on Audit Committees.

The Company is therefore reporting against the 2016 edition of the Code which came into effect for accounting periods beginning on or after 17 June 2016. Key changes between the 2014 and 2016 Codes relate to a requirement for competence of audit committees relevant to the sector in which the company operates, a deletion of the requirement for FTSE 350 companies to put the external audit contract out to tender at least every ten years, and a requirement for the Audit Committee report to include advance notice of any external audit retendering plans. During the year, the Audit Committee reviewed its Terms of Reference (including the section dealing with the Group Policy for the Provision of Non-Audit Services by the External Auditor), and further details are included in the Audit Committee report on page 62.

The latest financial information for Mitchells & Butlers and its group of companies is included in the 2017 Annual Report and Accounts (of which this corporate governance statement forms part) and which are available online at: www.mbplc.com/investors

The Board is committed to high standards of corporate governance. I am delighted to be able to report that the Board considers that the Company has complied throughout the year ended 30 September 2017 with all the provisions and best practice guidance of the Code except those in respect of Board composition and the constitution of Board Committees. This corporate governance statement addresses the small number of areas where, for reasons specific to Mitchells & Butlers, there are divergences from the Code as described below.

The Audit Committee report and Nomination Committee report which are set out on pages 62 to 65 and page 58 respectively of the Annual Report also form part of this corporate governance statement and they should all be considered together.

The Board recognises the importance of good corporate governance in creating a sustainable, successful and profitable business and details are set out in this statement of the Company's corporate governance procedures and application of the principles of the Code. There are, however, a small number of areas where, for reasons specifically related to the Company, the detailed provisions of the Code were not fully complied with in FY 2017. These areas are kept under regular review. A fundamental aspect of the Code is that it contains best practice recommendations in relation to corporate governance yet acknowledges that, in individual cases, these will not all necessarily be appropriate for particular companies. Accordingly, the Code specifically recognises the concept of 'Comply or Explain' in relation to divergences from the Code.

Compliance with the Code

Except for the matters which are explained below (in line with the 'Comply or Explain' concept), the Company complied fully with the principles and provisions of the Code throughout the financial year in respect of which this statement is prepared (and continues to do so as at the date of this statement).

Explanation for non-compliance with parts of the Code

During the year, there were three divergences from full compliance with the Code as set out below by reference to specific paragraphs in the Code:

B.1.2 (Composition of the Board), C.3.1 and D.2.1 Constitution of Committees

During the year, Code Provision B.1.2, which requires that at least half of the Board be made up of independent Non-Executive Directors (excluding the Chairman), was not complied with. Accordingly, this had consequential implications on the composition of the Audit and Remuneration Committees. There were no changes in Board composition during FY 2017.

While the Board does not comply fully with the requirement for at least half of its members to be independent, it recognises and values the presence of representatives of its major shareholders on the Board and welcomes the interest shown by them in the Company as a whole. The Board will continue to work closely with the representatives of its major shareholders to further the interests of the Company.

The possibility of appointing a further independent Non-Executive Director remains a matter for the Nomination Committee to review and is considered regularly. Throughout FY 2017, the Company had (and continues to have) fully functioning Nomination, Audit and Remuneration Committees as required by the Code. The Audit and Remuneration Committees are not fully compliant with the relevant provisions of paragraphs C.3.1 and D.2.1 of the Code in that they include the presence of representatives of major shareholders. Nevertheless, the Board values the contribution of those shareholder representatives on those Committees, does not consider this to be an impediment to good governance and looks forward to continuing to work with them on matters affecting the Group and its activities in the future.

The information required by Disclosure Guidance and Transparency Rule ('DGTR') 7.1 is set out in the Audit Committee report on pages 62 to 65. The information required by DGTR 7.2 is set out in this corporate governance statement, other than that required under DGTR 7.2.6 which is set out in the Directors' report on pages 48 to 53.

Board composition

The Board started and ended the year with eleven Directors and the table opposite lists the composition of the Board during the year.

The Board

The Board is responsible to all stakeholders, including its shareholders, for the strategic direction, development and control of the Group. It approves strategic plans and annual capital and revenue budgets. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group's operating and financial performance. It monitors the Group's overall system of internal controls, governance and compliance and ensures that the necessary financial, technical and human resources are in place for the Company to meet its objectives. Our website includes a schedule of matters which have been reserved for the main Board.

During FY 2016 there were ten scheduled Board meetings. There were also four meetings of the Audit Committee, five meetings of the Remuneration Committee and one meeting of the Nomination Committee. The table shows attendance levels at the Board and Committee meetings held during the year; the numbers in brackets confirm how many meetings each Director was eligible to attend during the year.

Where a Director was unable to attend a meeting (whether of the Board or one of its Committees), they were provided with all the papers and information relating to that meeting and were able to discuss issues arising directly with the Chairman of the Board or Chair of the relevant Committee. In addition, the Board members meet more informally approximately four times a year and the Chairman and the Non-Executive Directors meet without the Executive Directors twice a year.

There are ten Board meetings currently planned for FY 2018.

The Company Secretary's responsibilities include ensuring good information flows to the Board and between senior management and the Non-Executive Directors. The Company Secretary is responsible, through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development. This includes regular corporate governance and business issues updates, as well as the use of operational site visits and the provision of external courses where required. The Company Secretary facilitates a comprehensive induction for newly appointed Directors, tailored to individual requirements and including guidance on the requirements of, and Directors' duties in connection with, the Code and the Companies Act 2006 as well as other relevant legislation. In FY 2017, the Company Secretary also co-ordinated an internal performance evaluation of the Board. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Attendance levels at Board and Committee meetings

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Directors who served during the year				
Bob Ivell	10 (10)	n/a	5 (5)	1 (1)
Keith Browne	10 (10)	n/a	n/a	n/a
Dave Coplin	10 (10)	3 (4)	4 (5)	1 (1)
Stewart Gilliland	9 (10)	4 (4)	4 (5)	1 (1)
Eddie Irwin	9 (10)	3 (4)	3 (5)	1 (1)
Tim Jones	10 (10)	n/a	n/a	n/a
Josh Levy	10 (10)	n/a	1 (1)	n/a
Ron Robson	10 (10)	4 (4)	4 (4)	1 (1)
Colin Rutherford	10 (10)	4 (4)	5 (5)	1 (1)
Phil Urban	10 (10)	n/a	n/a	n/a
Imelda Walsh	10 (10)	4 (4)	5 (5)	1 (1)

Where a Director was prevented from attending a meeting due to travel difficulties or clashes with other business commitments, in each case the Director concerned provided comments on the matters to be considered to the Chairman, another Director or the Company Secretary.

Directors

The following were Directors of the Company during the year ended 30 September 2017:

		Date appointed	Date of change of role
Directors who served during the year			
Bob Ivell	Independent Non-Executive Director[1]	09/05/11	14/07/11
	Interim Chairman[1]	14/07/11	26/10/11
	Executive Chairman	26/10/11	12/11/12
	Non-Executive Chairman	12/11/12	–
Keith Browne[2]	Non-Executive Director	22/09/16	–
Dave Coplin	Independent Non-Executive Director	29/02/16	–
Stewart Gilliland	Independent Non-Executive Director	23/05/13	–
	Senior Independent Director	02/02/15	–
Eddie Irwin[2]	Non-Executive Director	21/03/12	–
Josh Levy[3]	Non-Executive Director	13/11/15	–
Tim Jones	Finance Director	18/10/10	–
Ron Robson[3]	Non-Executive Director	22/01/10	–
	Deputy Chairman	14/07/11	–
Colin Rutherford	Independent Non-Executive Director	22/04/13	–
Phil Urban	Chief Executive	27/09/15	–
Imelda Walsh	Independent Non-Executive Director	22/04/13	–

1. Independent while in the role specified.
2. Nominated shareholder representative of Elpida Group Limited.
3. Nominated shareholder representative of Piedmont Inc.

At the start and end of the year, the Board was made up of ten male and one female members. There were no changes to the Board during the year.

The Executive Directors have service contracts which are summarised on pages 76 and 77. The Chairman and each of the Non-Executive Directors have letters of appointment. Copies of the respective service contracts or letters of appointment of all the members of the Board are available on the Company's website. In addition, they are available for inspection at the registered office of the Company during normal business hours and at the place of the Annual General Meeting from at least 15 minutes before and until the end of the meeting.

All the Company's Directors are required to stand for annual re-election at the Company's Annual General Meeting in accordance with the Company's Articles of Association. Their biographical details as at 22 November 2017 are set out on pages 46 and 47, including their main commitments outside the Company.

The Executive Directors may be permitted to accept one external Non-Executive Director appointment with the Board's prior approval and as long as this is not likely to lead to conflicts of interest.

Division of responsibilities between Chairman and Chief Executive

In accordance with provision A.2.1 of the Code, the roles of Chairman and Chief Executive should not be exercised by the same individual.

The division of responsibilities between the Chairman and the Chief Executive are clearly established and set out in writing and agreed by the Board. In particular, it has been agreed in writing that the Chairman shall be responsible for running the Board and shall provide advice and assistance to the Chief Executive. He also chairs the Nomination Committee, is a member of the Remuneration Committee and attends, by invitation, meetings of the Audit Committee. He also chairs the Market Disclosure Committee, the Property Committee and the Pensions Committee.

It is also agreed in writing that the Chief Executive has responsibility for all aspects of the Group's overall commercial, operational and strategic development. He chairs the Executive Committee (details of which appear on page 59) and attends the Nomination, Remuneration and Audit Committee by invitation, not necessarily for the entirety of such meetings depending upon the subject matter. He is also a member of the Market Disclosure Committee, the Property Committee and the Pensions Committee.

All other Executive Directors (currently just the Finance Director) and all other members of the Executive Committee report to the Chief Executive.

Chairman

The UK Corporate Governance Code provides that the Chairman should, on appointment, meet the independence criteria set out in provision B.1.1 of that Code. Bob Ivell met these independence criteria on appointment.

Bob Ivell was appointed to the role of Executive Chairman on 26 October 2011 on the departure of the then Chief Executive and reverted to the role of Non-Executive Chairman on 12 November 2012.

The Chairman ensures that appropriate communication is maintained with shareholders. He ensures that all Directors are fully informed of matters relevant to their roles.

Chief Executive

Phil Urban was appointed Chief Executive on 27 September 2015. He has responsibility for implementing the strategy agreed by the Board and for the executive management of the Group.

Senior Independent Director

Stewart Gilliland was appointed to the role of Senior Independent Director on 2 February 2015.

The Senior Independent Director supports the Chairman in the delivery of the Board's objectives and ensures that the views of all major shareholders and stakeholders are conveyed to the Board. Stewart Gilliland is available to all shareholders should they have any concerns if the normal channels of Chairman, Chief Executive or Finance Director have failed to resolve them, or for which such contact is inappropriate.

The Senior Independent Director also meets with Non-Executive Directors, without the Chairman present, at least annually, and conducts the annual appraisal of the Chairman's performance and provides feedback to the Chairman on the outputs of that appraisal.

Non-Executive Directors

The Company has experienced Non-Executive Directors on its Board. Bob Ivell was considered to be independent upon his appointment on 9 May 2011 in that he was free from any business or other relationship with the Company which could materially influence his judgement and he continues to represent a strong source of advice and independent challenge. Since his appointment as Chairman on 14 July 2011 the independence test, as set out in the Code, is no longer applicable to his current position.

Ron Robson and Josh Levy were appointed to the Board as representatives of one of the Company's largest shareholders, Piedmont Inc., and were therefore not regarded as independent in accordance with the Code.

Eddie Irwin and Keith Browne were appointed to the Board as representatives of another of the Company's largest shareholders, Elpida Group Limited and were therefore not regarded as independent in accordance with the Code.

There are currently four independent Non-Executive Directors on the Board: Stewart Gilliland, Colin Rutherford, Imelda Walsh and Dave Coplin.

Other than their fees, and reimbursement of taxable expenses which are disclosed on page 80, the Non-Executive Directors received no remuneration from the Company during the year.

When Non-Executive Directors are considered for appointment, the Board takes into account their other responsibilities in assessing whether they can commit sufficient time to their prospective directorship. On average, the Non-Executive Directors spend two to three days per month on Company business, but this may be more depending on the circumstances from time to time.

Board information and training

All Directors are briefed by the use of comprehensive papers circulated in advance of Board meetings and by presentations at those meetings, in addition to receiving minutes of previous meetings. Their understanding of the Group's business is enhanced by business specific presentations and operational visits to the Group's businesses. Separate strategy meetings and meetings with senior executives and representatives of specific functions, brands or business units are also held throughout the year.

The training needs of Directors are formally considered on an annual basis and are also monitored throughout the year with appropriate training being provided as required, including corporate social responsibility and corporate governance as well as the environmental impacts of the Company's activities.

Committees

Each Board Committee has written terms of reference approved by the Board, which are available on the Company's website. Those terms of reference are each reviewed annually by the relevant Committee to ensure they remain appropriate.

Audit Committee

Details of the Audit Committee and its activities during the year are included in the Audit Committee report on pages 62 to 65 which is incorporated by reference into this statement.

Remuneration Committee

Details of the Remuneration Committee and its activities during the year are included in the Report on Directors' remuneration on pages 66 to 87.

Nomination Committee

The Nomination Committee is responsible for nominating, for the approval of the Board, candidates for appointment to the Board. It is also responsible for succession planning for the Board and the Executive Committee and reviewing the output of the Board effectiveness review.

During the year, the Nomination Committee considered the composition of the Board and commissioned the internally-facilitated Board effectiveness review.

The Nomination Committee agrees the importance of having diversity on the Board, including female representation and individuals with different experiences, skill sets and expertise, so as to maintain an appropriate balance within the Company and on the Board.

Board Diversity Policy

The Board has approved a Board Diversity Policy. The key statement and objectives of that policy are as follows:

Statement:

The Board recognises the benefits of diversity. Diversity of skills, background, knowledge, international and industry experience, and gender, amongst many other factors, will be taken into consideration when seeking to appoint a new Director to the Board. Notwithstanding the foregoing, all Board appointments will always be made on merit.

Objectives:

- The Board should ensure an appropriate mix of skills and experience to ensure an optimum Board and efficient stewardship. All Board appointments will be made on merit while taking into account individual competence, skills and expertise measured against identified objective criteria (including consideration of diversity).
- The Board should ensure that it comprises Directors who are sufficiently experienced and independent of character and judgement.
- The Nomination Committee will discuss and agree measurable objectives for achieving diversity on the Board with due regard being given to the recommendations set out in the Davies Report, the Hampton-Alexander Review and the UK Corporate Governance Code 2016. These will be reviewed on an annual basis.

Progress against the policy:

The Board continues to monitor progress against this policy. In terms of Board diversity, the proportion of women on the Board was 9% as at the year ended 30 September 2017. Any future appointments will always be made on merit and will continue to take into account diversity, not only in terms of gender, but also in terms of the appropriate mix of skills and experience.

Details of the Mitchells & Butlers Diversity Policy, which applies to diversity in relation to employees of the Mitchells & Butlers Group, can be found in the corporate social responsibility section on pages 30 to 35.

A detailed description of the duties of the Nomination Committee is set out within its terms of reference which can be viewed at www.mbplc.com/investors/businessconduct/boardcommittees/

The following were members of the Nomination Committee during the year:

	Appointment date	Member at 30/09/17
Bob Ivell (Chair)	11/07/13	Y
Dave Coplin	29/02/16	Y
Stewart Gilliland	11/07/13	Y
Eddie Irwin	11/07/13	Y
Ron Robson	11/07/13	Y
Colin Rutherford	11/07/13	Y
Imelda Walsh	11/07/13	Y

During the year, the Company complied with provision B.2.1 of the Code as the Nomination Committee comprised a majority of independent Non-Executive Directors.

Market Disclosure Committee

The EU Market Abuse Regulation (MAR) which took effect in July 2016, brought about substantial changes relating to announcements of material information about the Company and its affairs, and relating to dealings in shares or other securities by Directors and other senior managers, including tighter controls on permitted 'dealings' during closed periods and the handling of information relating to the Company. MAR requires companies to keep a list of people affected and the previous compliance regime and timeframe were enhanced.

As a result, a formal standing Committee of the Board was established, called the Market Disclosure Committee, which is comprised of the Chairman, the Chief Executive, the Finance Director and an independent Non-Executive Director, currently Colin Rutherford.

Executive Committee

The Executive Committee, which is chaired by the Chief Executive, consists of the Executive Directors and certain other senior executives, namely Gary John (Group Property Director), Susan Martindale (Group HR Director), Greg McMahon (Company Secretary and General Counsel), Chris Hopkins (Commercial and Marketing Director) and Susan Chappell, Nick Crossley, Dennis Deare and Rob Pitcher (all Divisional Directors).

The Executive Committee meets at least every six weeks and has day-to-day responsibility for the running of the Group's business. It develops the Group's strategy and annual revenue and capital budgets for Board approval. It reviews and recommends to the Board any significant investment proposals. This Committee monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board. It considers employment issues, ensures the Group has an appropriate pool of talent and develops senior management manpower planning and succession plans. A note of the actions agreed by, and the principal decisions of, the Executive Committee are supplied to the Board for information in order that Board members can keep abreast of operational developments.

Phil Urban has ultimate responsibility for employment related issues and he also oversees matters relating to human rights including the implementation of the Modern Slavery Act throughout the Group.

General Purposes Committee

The General Purposes Committee comprises any two Executive Directors or any one Executive Director together with a senior officer from an agreed and restricted list of senior Executives. It is always chaired by an Executive Director. It attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or an appropriate Committee.

Property Committee

The Property Committee reviews property transactions which have been reviewed and recommended by the Portfolio Development Committee, without the need for submission of transactions to the full Board. The Property Committee agrees to the overall strategic direction for the management of the Group's property portfolio on a half-yearly basis and may decide that a particular transaction should be referred to the Board for consideration or approval. The Property Committee comprises Bob Ivell (Committee Chair), Phil Urban, Tim Jones, Josh Levy, Keith Browne, Colin Rutherford, Stewart Gilliland and Gary John.

Portfolio Development Committee

The executive review of property transactions and capital allocation to significant property matters such as site remodel and conversion plans and the Company's real estate strategy is carried out by the Portfolio Development Committee. This is not a formal Board Committee but is comprised of the Chief Executive, the Finance Director, the Group Property Director and the Company Secretary and General Counsel. It has delegated authority to approve certain transactions up to agreed financial limits and, above those authority levels, it makes recommendations to the Board or the Property Committee.

Pensions Committee

The Board has established a Pensions Committee to supervise and manage the Company's relationship with its various pension schemes and their trustees.

The Pensions Committee members are Bob Ivell (Committee Chair), Colin Rutherford, Imelda Walsh, Tim Jones, Phil Urban, Keith Browne and Josh Levy.

Throughout FY 2017 the work of the Pensions Committee focused primarily on the negotiations with the Trustee of the Group's two principal defined benefit pension schemes, the Mitchells & Butlers Pension Plan and the Mitchells & Butlers Executive Pension Plan, to agree the triennial valuations of those schemes as at 31 March 2016. The successful conclusion of those triennial valuations was announced by the Company in its Third Quarter Trading Update on 27 July 2017. Those valuations showed an agreed deficit of £451m (which was a reduction from the deficit of £572m as disclosed by the 2013 triennial valuations) which will be funded by an unchanged level of cash contribution (of £46m p.a., indexed) to 2023.

The discussions and negotiations between the Trustee of the Group's two defined benefit plans and the Pensions Committee were led on the Pension Committee's behalf by Colin Rutherford, one of the Company's independent Non-Executive Directors. This process was complicated and necessarily highly detailed. To reflect the very significant amount of time and effort which Mr Rutherford committed to this process during FY 2017, the Board approved a one-off additional fee for Mr Rutherford of £75,000. The Board does not expect that there will be any further fee of this nature in FY 2018.

Treasury Committee

The treasury operations of the Mitchells & Butlers Group are operated on a centralised basis under the control of the Group Treasury department. Although not a formal Board Committee, the Treasury Committee, which reports to the Finance Director but is subject to oversight from the Audit Committee and, ultimately, the Board, has day-to-day responsibility for:

- liquidity management;
- investment of surplus cash;
- funding, cash and banking arrangements;
- interest rate and currency risk management;
- guarantees, bonds, indemnities and any financial encumbrances including charges on assets; and
- relationships with Banks and other market counterparties such as credit rating agencies.

The Treasury Committee also works closely with the financial accounting department to review the impact of changes in relevant accounting practices and to ensure that treasury activities are disclosed appropriately in the Company's accounts.

The Board delegates the monitoring of treasury activity and compliance to the Treasury Committee. It is responsible for monitoring the effectiveness of treasury policies and making proposals for any changes to policies or in respect of the utilisation of new instruments. The approval of the Board, or a designated committee thereof, is required for any such proposals.

Independent advice

Members of the Board may take independent professional advice in the furtherance of their duties and the Board has agreed a formal process for such advice to be made available. Members of the Board also have access to the advice and services of the Company Secretary and General Counsel, the Company's legal and other professional advisers and its external auditor. The terms of engagement of the Company's external advisers and its external auditor are regularly reviewed by the Company Secretary and General Counsel.

Code of Ethics

The Company has implemented business conduct guidelines describing the standards of behaviour expected from those working for the Company in the form of a code of ethics (the 'Ethics Code'). The Ethics Code was reviewed and re-communicated to all employees in FY 2017 to ensure it was kept clearly in focus. Its aim is to promote honest and ethical conduct throughout our business. The Ethics Code requires:

- compliance with all applicable rules and regulations that apply to the Company and its officers including compliance with the requirements of the Bribery Act 2010;
- the ethical handling of actual or apparent conflicts of interest between internal and external, personal and professional relationships; and
- that any hospitality from suppliers must be approved in advance by appropriate senior management, with a presumption against its acceptance.

The Company takes a zero tolerance approach to bribery and has developed an extensive Bribery Policy which is included in the Ethics Code. The Ethics Code requires employees to comply with the Bribery Policy.

The Company also offers an independently administered, confidential whistleblowing hotline for any employee wishing to report any concern that they feel would be inappropriate to raise with their line manager. All whistleblowing allegations are reported to, and considered by, the Executive Committee and a summary report (with details of any major concerns) is supplied to, and considered by, the Audit Committee at each meeting.

The Board takes regular account of social, environmental and ethical matters concerning the Company through regular reports to the Board and presentations to the Board at its strategy meetings. The Company's compliance statement in relation to the Modern Slavery Act can be viewed on the Company's website www.mbplc.com

Directors' training includes environmental, social and governance ('ESG') matters and the Company Secretary is responsible for ensuring that Directors are made aware of and receive regular training in respect of these important areas. The Chief Executive, Phil Urban, is ultimately responsible for ESG matters.

The Board is responsible for the Company's internal risk management system, in respect of which more details can be found in the 'Risks and uncertainties' section of this report, and in the following section of this statement.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing its effectiveness. In order to discharge that responsibility, the Board has established the procedures necessary to apply the Code for the year under review and to the date of approval of the Annual Report. Such procedures are regularly reviewed by the Audit Committee.

The key features of the Group's internal control and risk management systems include:

- Processes, including monitoring by the Board, in respect of:
  i. financial performance within a comprehensive financial planning, accounting and reporting framework;
  ii. strategic plan achievement;
  iii. capital investment and asset management performance, with detailed appraisal, authorisation and post-investment reviews; and
  iv. consumer insight data and actions to assess the evolution of brands and formats to ensure that they continue to be appealing and relevant to the Group's guests.
- An overall governance framework including:
  i. clearly defined delegations of authority and reporting lines;
  ii. a comprehensive set of policies and procedures that employees are required to follow; and
  iii. the Group's Ethics Code, in respect of which an annual confirmation of compliance is sought from all corporate employees.
- The Risk Committee, a sub-committee of the Executive Committee, which assists the Board, the Audit Committee and the Executive Committee in managing the processes for identifying, evaluating, monitoring and mitigating risks. The Risk Committee, which continues to meet quarterly, is chaired by the Company Secretary and General Counsel and comprises Executive Committee members and other members of senior management from a cross-section of functions. Its primary responsibilities are to:
  i. advise the Executive Committee on the Company's overall risk appetite and risk strategy, taking account of the current and prospective operating, legal, macroeconomic and financial environments;
  ii. advise the Executive Committee on the current and emerging risk exposures of the Company in the context of the Board's overall risk appetite and risk strategy;
  iii. promote the management of risk throughout the organisation;
  iv. review and monitor the Company's capability and processes to identify and manage risks;
  v. consider the identified key risks faced by the Company and new and emerging risks and consider the adequacy of mitigation plans in respect of such risks; and
  vi. where mitigation plans are inadequate, recommend improvement actions.

The Group's risks identified by the processes that are managed by the Risk Committee are described in 'Risks and uncertainties' on pages 36 to 40. More details of the work of the Risk Committee are included in the Audit Committee report on pages 62 to 65.

- Examination of business processes on a risk basis including reports from the internal audit function, known as Group Assurance, which reports directly to the Audit Committee.

The Group also has in place systems, including policies and procedures, for exercising control and managing risk in respect of financial reporting and the preparation of consolidated accounts. These systems, policies and procedures:

- govern the maintenance of accounting records that, in reasonable detail, accurately and fairly reflect transactions;
- require reported information to be reviewed and reconciled, with monitoring by the Audit Committee and the Board; and
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards ('IFRS') or UK Generally Accepted Accounting Practice, as appropriate.

In accordance with the Code, during the year the Audit Committee completed (and reported to the Board its conclusions in respect of) its annual review of the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, it can only provide reasonable and not absolute assurance against material misstatement or loss. In that context, in the opinion of the Audit Committee, the review did not indicate that the system was ineffective or unsatisfactory and to the extent that weaknesses in internal controls were identified, the Audit Committee confirmed that necessary remedial action plans were in place. The Audit Committee is not aware of any change to this status up to the date of approval of this Annual Report.

With regard to insurance against risk, it is not practicable to insure against every risk to the fullest extent. The Group regularly reviews both the type and amount of external insurance that it buys with guidance from an external independent broker, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

Shareholder relations

The Board recognises that it is accountable to shareholders for the performance and activities of the Company. The Company regularly updates the market on its financial performance, at the half year and full year results in May and November respectively, and by way of other announcements as required. The content of these updates is available by webcast on the Company's website, together with general information about the Company so as to be available to all shareholders. The Company has a regular programme of meetings with its larger shareholders which provides an opportunity to discuss, on the basis of publicly available information, the progress of the business.

On a more informal basis, the Chairman, Chief Executive and the Finance Director regularly report to the Board the views of larger shareholders about the Company, and the other Non-Executive Directors are available to meet shareholders on request and are offered the opportunity to attend meetings with larger shareholders.

The AGM provides a useful interface with shareholders, many of whom are also guests in our pubs, bars and restaurants. All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated.

Board effectiveness evaluation and Chairman's evaluation and appraisal

During FY 2017, the Nomination Committee commissioned an internal self-evaluation review in which the Board continued to review the effectiveness of individual Directors. The conclusions of that review have been reported on to the Board and appropriate actions relating to adjustments and improvements to the way in which the Directors, the Board and its Committees interact have been agreed upon. None of these constitute significant changes to the pre-existing operational practices of the Board or its Committees but, rather, fall within the ambit of continuous review and evolution.

In summary, the principal outputs of that review were that:

- The Board should continue to keep under close review the evolution of, and emerging trends across, the leisure and hospitality industry, which it was noted is still developing rapidly, as well as monitoring current operations;
- There was a continued need for up to date succession plans with particular reference to diversity; and
- The Board should have the opportunity to spend time in the Group's businesses to ensure continued familiarity with the delivery of the Group's goods and services and the operational environment.

All of these matters have been built into the Board's timetable for FY 2018.

The Senior Independent Director, Stewart Gilliland, has led the process for the annual appraisal of the Chairman's performance with the independent Non-Executive Directors (without the Chairman present) and the conclusions were fed back to the Chairman.

Annual reviews of the Chairman's performance will continue to be conducted as required by the Code. Further, the Board Effectiveness Review included an assessment of the Chairman and his fulfilment of his role.

Going concern

The Directors' statement as to the status of the Company as a going concern can be found on page 51.

Colin Rutherford
Chairman of the Audit Committee

Introduction from the Audit Committee Chairman

I am delighted to present, on behalf of the Board, the report of its Audit Committee for the financial year ended 30 September 2017.

Over the previous year we continued to have the benefit of spending valuable time with our Group Risk Director and those key individuals throughout the Group, who collectively provide an appreciation and rigorous insight into how our Group functions and reports. These interactions are extremely valuable and the Committee are grateful for the instruction they provide. These activities also significantly assist towards the promotion and efficient execution of the Committee's oversight role.

Engagement with auditors and third parties

The Committee continued to engage formally, regularly and at an appropriate level of detail with our external auditors, internal auditors (also externally resourced), and other third-party advisers as necessary. This has enabled the Committee to maintain an appropriate understanding of how our auditors and third-party advisers interact with our assurance and risk function. In turn this enabled these essential authorities to provide comprehensive coverage of audit process and third-party assurance and risk, and this helped augment our Committee's confidence in their respective and collective fieldwork conclusions.

It is also important to note our Committee's role in overseeing the well-considered provision of adequate resources by the Group, towards ensuring that any additional non-audit services required over the year were obtained where necessary, and in dealing with the increasing role of the FRC and its incumbent reporting demands.

Effectiveness of internal controls and Group assurance and risk function

The above efforts provided the Committee with a clear and detailed understanding of the principal operations at all levels over the year. The Committee continued to focus on challenging the effectiveness of the Group's internal controls, the robustness of Group Assurance and Risk Management processes and in assessing the importance of, and acting as required upon, all reported information received from our auditors and third-party advisers.

We remain committed to maintaining an open and constructive dialogue with our shareholders on audit matters. Therefore, if you have any comments or questions on any element of the report, please email me, care of Adrian Brannan, Group Risk Director, at company.secretariat@mbplc.com

Membership and remit of the Audit Committee

The main purpose of the Audit Committee is to review and maintain oversight of Mitchells & Butlers' corporate governance, particularly with respect to financial reporting, internal control and risk management. The Audit Committee's responsibilities also include:

- reviewing the processes for detecting fraud, misconduct and internal control weaknesses;
- reviewing the effectiveness of the Group Assurance function; and
- overseeing the relationship with the external and internal auditors.

At the date of the 2017 Annual Report, the Audit Committee comprises four independent Non-Executive Directors: Colin Rutherford (Chair), Imelda Walsh, Stewart Gilliland and Dave Coplin, and two further Non-Executive Directors nominated by substantial shareholders, Ron Robson and Eddie Irwin. In accordance with Code provision C.3.1 the Board considers that Colin Rutherford has significant, recent and relevant financial experience. Biographies of all of the members of the Audit Committee, including a summary of their respective experience, appear on pages 46 and 47.

Following the appointment of three Independent Non-Executive Directors in April and May 2013, Committee members were appointed with effect from 11 July 2013, and revised terms of reference were established, in order to comply with Code requirements. Those terms of reference are reviewed annually.

The Audit Committee continued to meet quarterly during FY 2017. In each case, appropriate papers were distributed to the Committee members and other invited attendees, including, where and to the extent appropriate, representatives of the external audit firm and the internal Group Assurance function.

When appropriate, the Audit Committee augments the skills and experience of its members with advice from internal and external audit professionals, for example, on matters such as developments in financial reporting. Audit Committee meetings are also attended, by invitation, by other members of the Board including the Chief Executive and the Finance Director, the Company Secretary and General Counsel, the Group Risk Director and representatives of the external auditor, Deloitte LLP. The Audit Committee also meets privately not less than twice a year, without any member of management present, in relation to audit matters, with the external auditor.

The remuneration of the members of the Audit Committee is set out in the Report on Directors' remuneration on page 80.

Summary terms of reference

A copy of the Audit Committee's terms of reference is publicly available within the Investor section of the Company's website: www.mbplc.com/pdf/audit_committee_terms.pdf

The Audit Committee's terms of reference were approved by the Committee and adopted by the plc Board in 2013. Those terms of reference specifically provide that they will be reviewed annually. They have been reviewed each year since and no changes were felt to be needed in FY 2017. At the time of re-adoption of the Company's Corporate Governance Compliance Statement in July 2016, as updated to reflect changes required to give effect to the introduction of the Market Abuse Regulation (MAR), any changes to the Company's governance arrangements to reflect the requirements of MAR were introduced. Other than those MAR related amendments, which related to consequential changes to regulatory references (e.g. the UKLA's Disclosure and Transparency Rules are now known as the Disclosure Guidance and Transparency Rules), there have been no material changes to these Terms of Reference since the last review in 2015. Accordingly, in FY 2017 no changes were made to the terms of reference of the Audit Committee, and the work of the Audit Committee is kept under review with the expectation that any such matters which come to light are included in the review scheduled for FY 2018.

The Audit Committee is authorised by the Board to review any activity within the business. It is authorised to seek any information it requires from, and require the attendance at any of its meetings of, any Director or member of management, and all employees are expected to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary. The Chair of the Audit Committee reports to the subsequent Board meeting on the Committee's work and the Board receives a copy of the minutes of each meeting.

The role and responsibilities of the Audit Committee are to:

- review the Company's public statements on internal control, risk management and corporate governance compliance;
- review the Company's processes for detecting fraud, misconduct and control weaknesses and to consider the Company's response to any such occurrence;
- review management's evaluation of any change in internal controls over financial reporting;
- review with management and the auditor, Company financial statements required under UK legislation before submission to the Board;
- establish, review and maintain the role and effectiveness of the internal audit function, known as Group Assurance, whose objective is to provide independent assurance over the Group's significant processes and controls, including those in respect of the Group's key risks;
- assume direct responsibility for the appointment, compensation, resignation, dismissal and the overseeing of the auditor, including review of the external audit, its cost and effectiveness;
- pre-approve non-audit work to be carried out by the auditor and the fees to be paid for that work together with the monitoring of the external auditor's independence;
- oversee the process for dealing with complaints received by the Group regarding accounting, internal accounting controls or auditing matters and any confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- adopt and oversee a specific Code of Ethics for all corporate employees which is consistent with the Company's overall statement of business ethics.

Key activities of the Audit Committee

Audit matters are reviewed at quarterly Audit Committee meetings throughout the year at which detailed reports are presented for review. The Audit Committee commissions reports from external advisers, the Group Risk Director or Company management, either after consideration of the Company's major risks or in response to developing issues. During the year, in order to fulfil the roles and responsibilities of the Audit Committee, the following matters were considered:

- the suitability of the Group's accounting policies and practices;
- half year and full year financial results;
- the scope and cost of the external audit;
- the auditor's half year and full year reports;
- reappointment and evaluation of the performance of the auditor, including recommendations to the Board, for approval by shareholders, on the reappointment of the Company's auditor and on the approval of fees and terms of engagement;
- non-audit work carried out by the auditor and trends in the non-audit fees in accordance with the Committee's policy to ensure the safeguarding of audit independence;
- the co-ordination of the activities and the work programmes of the internal and external audit functions;
- the arrangements in respect of Group Assurance including its resourcing, external support, the scope of the annual internal audit plan for FY 2017 regarding the level of achievement and the scope of the annual internal audit plan for FY 2018;
- periodic internal control and assurance reports from Group Assurance;
- the Group's risk management framework for the identification and control of major risks, its risk and assurance mitigation plan and the annual assessment of effectiveness of controls;
- compliance with the Company's Code of Ethics;
- corporate governance developments;
- the status of material litigation involving the Group; and
- reports on allegations made via the Group's whistleblowing procedures and the effectiveness of these procedures including a summary of reports received during FY 2017.

Disclosure of significant issues considered

The Audit Committee has reviewed the key judgements applied in the preparation of the consolidated financial statements, which are described in the relevant accounting policies and detailed notes to the financial statements on pages 88 to 139.

The Audit Committee's review included consideration of the following key accounting judgements:

- Property, Plant and Equipment Valuation – the assumptions used by management to value the long leasehold and freehold estate including estimated fair maintainable trading levels, brand multiples and use of spot valuations to ensure a consistent valuation methodology is in place. A number of key judgements are also applied in calculating short leasehold impairment such as trading levels and the use of an appropriate discount rate;
- Valuation of onerous lease provisions – as currently calculated the onerous lease provision (including the key matters considered, e.g. lease term, rental commitments, operating performance and turnaround plans) has increased in FY 2017, resulting in a separately disclosed charge; and
- Pension deficit – the pension liability is sensitive to the actuarial assumptions applied in measuring future cash outflows. The use of assumptions such as the discount rate and inflation which have an impact on the valuation of the defined benefit pension scheme was assessed by the Audit Committee.

Effectiveness of internal audit

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Company's internal audit function. The Audit Committee meets regularly with management and with the Group Risk Director and the auditor, to review the effectiveness of internal controls and risk management and receives reports from the Group Risk Director on a quarterly basis.

The annual internal audit plan is approved by the Audit Committee and kept under review on a monthly basis, by the Group Risk Director, in order to reflect the changing business needs and to ensure new and emerging risks are considered. The Audit Committee is informed of any amendments made to the audit plan on a quarterly basis. The FY 2017 internal audit plan was developed through a review of formal risk assessments (in conjunction with the Risk Committee and the Group's Executive Committee) together with consideration of the Group's key business processes and functions that could be subject to audit. A similar approach has been employed in relation to the FY 2018 internal audit plan.

The principal objectives of the internal audit plan for FY 2017 were, and remain for FY 2018:

- to provide confidence that existing and emerging key risks are being managed effectively;
- to confirm that controls over core business functions and processes are operating as intended ('core assurance'); and
- to confirm that major projects and significant business change programmes are being adequately controlled.

During FY 2017, 15 audit reports were issued by the Group Assurance function and reviewed by the Board or the Audit Committee. Internal audit recommendations are closely monitored through to closure via a web-based recommendation tracking system, introduced in FY 2013 and updated in FY 2017, which has significantly improved the overall monitoring of internal audit recommendations to ensure these are successfully implemented in a timely manner. A summary of the status of the implementation of internal audit recommendations is made monthly to the Executive Committee and quarterly to the Audit Committee.

Risk management framework

As disclosed in the 'Risk and uncertainties' section on pages 36 to 40 the Risk Committee continues to meet on a quarterly basis to review the key risks facing the business. Membership of the Risk Committee, which includes representation from each of the key business functions, is detailed below:

- Company Secretary and General Counsel (Chairman)
- Group Finance Director
- Commercial and Marketing Director
- Divisional Director (Operations)
- Group HR Director
- Director of Business Change & Technology
- Group Risk Director
- Senior Legal Counsel

Key risks identified are reviewed and assessed on a quarterly basis in terms of their likelihood and impact, within the Group's 'Key Risk Heat Map', in conjunction with associated risk mitigation plans. In addition, the Risk Committee review includes an assessment of the material relevance of emerging risks and the continued relevance of previously identified risks. During FY 2017, Risk Committee meetings continued to include a cross-functional, detailed review of the Group's key risks. This process, which was introduced in FY 2016, continues to prove to be effective and adds value to the continued development and progression of the Group's approach to evaluating new and existing risks, supported by robust mitigation plans.

Actions arising from Risk Committee meetings are followed up by the Group Risk Director. The Audit Committee reviews the Risk Committee minutes, in addition to undertaking a quarterly review of the Group's 'Key Risk Heat Map'.

Confidential reporting

The Group's whistleblowing policy enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal. Details of the policy are set out in the Company's Code of Ethics. The Audit Committee receives quarterly reports on whistleblowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported. No major issues have been reported in FY 2017 (major issues being defined for this purpose as matters having a financial impact of greater than £100k).

External auditor appointment

Deloitte LLP was appointed as the auditor in 2011, following a formal tender process. The Audit Committee has considered the recent guidance in relation to rotation including the proposed transition rules which will be considered when recommending the appointment of the auditor in future years. The Company has complied throughout the reporting year with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. Under the terms of that Order, the Committee expects to carry out a competitive audit tender by no later than 2020 in respect of the financial year ending in 2021 to ensure the continued objectivity, independence and value for money of the statutory audit. It may choose to do so at an earlier time.

The Audit Committee considers that the relationship with the auditor is working well and is satisfied with its effectiveness and has not considered it necessary to require Deloitte LLP to re-tender for the external audit work. There are no contractual obligations restricting the Company's choice of auditor. Following its appointment as auditor, Deloitte LLP was replaced in respect of the provision of internal audit services by PricewaterhouseCoopers LLP.

External auditor's independence

The external auditors should not provide non-audit services where it might impair their independence or objectivity to do so. The Audit Committee has established a policy to safeguard the independence and objectivity of the Group's auditor as set out in below. That policy has been reviewed in FY 2017 and a copy of it is appended to the Audit Committee's terms of reference and is available on the Company's website. Pursuant to that policy the following services have been pre-approved by the Audit Committee provided that the fees for such services do not exceed in any year more than 70% of the average audit fee paid to that audit firm over the past three years:

- audit services, including work related to the annual Group financial statements, and statutory accounts; and
- certain specified tax services, including tax compliance, tax planning and tax advice.

Acquisition and vendor due-diligence may only be provided if it is specifically approved by the Committee on a case by case basis in advance of the engagement commencing. Any other work for which management wishes to utilise the external auditor must be approved as follows:

- services with fees less than £50,000 may be approved by the Finance Director; and
- engagements with fees over £50,000 may be approved by the Audit Committee or its Chair.

The Audit Committee remains confident that the objectivity and independence of the auditor are not in any way impaired by reason of the non-audit services which they provide to the Group.

That policy also includes an extensive list of services which the audit firm may not provide or may only provide in very limited circumstances where the Company and the audit firm agree that there would be no impact on the impartiality of the audit firm. Details of the remuneration paid to the auditor, and the split between audit and non-audit services, are set out at note 2.3 of the financial statements on page 107.

External audit annual assessment

The Audit Committee assesses annually the qualification, expertise, resources and independence of the Group's auditor and the overall effectiveness of the audit process. The Finance Director, Company Secretary and General Counsel, Audit Committee Chairman and Group Risk Director meet with the auditor to discuss the audit, significant risks and any key issues included on the Audit Committee's agenda during the year.

Fair, balanced and understandable statement

One of the key governance requirements of the Group's financial statements is for the report and accounts to be fair, balanced and understandable. Therefore, upon review of the financial statements, the Audit Committee and the Board have confirmed that they are satisfied with the overall fairness, balance and clarity of the Annual Report, which is underpinned by the following:

- formal minutes of the year end working group comprised of relevant internal functional representatives and appropriate external advisers;
- clear guidance being issued to all contributors to ensure a consistent approach; and
- formal review processes at all levels to ensure the Annual Report is factually correct.

Colin Rutherford
Chairman of the Audit Committee
22 November 2017

The Going Concern and Long-Term Viability Statement can be found on pages 101 and 40 respectively.

Report on Directors' remuneration

Imelda Walsh
Chair of the Remuneration Committee

I am pleased to present the Directors' remuneration report in respect of the financial year, which ended on 30 September 2017.

Background and business context

Total sales over the financial year grew by £94m, with like-for-like sales growth of 1.8%, consistently ahead of the market. This strong sales performance is a result of our continued focus on our three priority areas: building a more balanced business; instilling a more commercial culture; and driving an innovation agenda.

Over 250 capital investment projects have been undertaken during the year, which have been focused on the premiumisation of the estate and the improvement of amenity. The rapid expansion of the Miller & Carter brand to over 80 locations, primarily through the conversion of existing sites, is a good example. The remodel programme in Harvester has prioritised higher levels of amenity, demonstrating that a fresh and contemporary design improves investment returns. The Company has reduced the redevelopment cycle from 11 to 12 years for each business to 6 to 7 years, an important factor in a fast moving consumer environment. As we have reviewed the estate 79 businesses were identified as not offering long-term growth potential, and these were sold during the year.

The four new operating divisions introduced in 2016 have improved our guest focus and across all businesses Net Promoter Score has increased and customer complaints have reduced. The use of social media by our guests to provide feedback is becoming ever more prevalent and therefore managing on-line reputation is important. Our Managers now have access to an online feedback consolidation tool that allows them to communicate directly and rapidly with our guests.

Progress has been made in improving operational effectiveness through the introduction of a time and attendance system, and the next stage of roll out will enable team members to swap shifts and to share resource across businesses. The second system that has been upgraded is our stock management system which improves stock control and halves the time taken to complete stock counts. Further enhancements to both of these systems are planned, and we anticipate that further benefits will be seen in FY 2018.

Our guests also expect technology to evolve and enhance their experiences with us, and during the year a mobile order at table facility has been developed and trialled. The expectation that food can be delivered to guests at home continues to increase and during the year the number of sites offering Deliveroo has increased to around 60 and trials with JustEat have also been successful, with delivery and click and collect now available from many Harvester and Toby Carvery businesses.

Our people are fundamental to the delivery of great guest experiences and where we have consistently high employee engagement, sales growth is strongest. It is pleasing therefore that our employee engagement scores have improved by 2ppts and that retail team member turnover has reduced by 4.1ppts over the year. This reduction in team turnover also delivers a significant saving when the cost of recruitment, training and induction is taken into account. Providing a pipeline of future talent is also vitally important and over the year a further 1,300 apprentices have joined our various programmes, and our new on-line learning platform provides more flexibility for employees to learn and develop in a way that suits them and their lifestyle.

Despite the good progress made across a number of areas, the macro environment in which the business operates has been challenging, with unprecedented cost headwinds impacting the industry as a whole. The actions taken over the year have enabled a sustained return to sales growth and made it possible to mitigate a significant proportion of the previously identified cost headwinds, nevertheless the cumulative impact of these costs has resulted in adjusted Operating Profit falling by 1.3% to £314m.

Remuneration Policy Review

The current remuneration policy for Directors was approved by shareholders in January 2015 and therefore is due for renewal at the forthcoming AGM. The Committee has undertaken a thorough review of the existing Directors' remuneration policy, taking full account of the strategic priorities of Mitchells & Butlers, and the latest developments in the external pay environment. The Committee has concluded that the current structure, comprising a base salary, benefits, pension, annual bonus and long-term incentive awards delivered in shares, and the level of quantum, remains fit for purpose. However, the Committee has determined that some amendments to the policy are appropriate to ensure, primarily, that: (i) our incentive arrangements continue to support the long-term success of the Company through a period of market uncertainty; (ii) the policy is sufficiently flexible to remain applicable over the next policy period; and (iii) the alignment between Executive Directors and shareholders is further strengthened.

The key changes are set out below:

Increased flexibility in selection of bonus measures. We are proposing to allow greater flexibility in the selection of annual bonus measures, to enable us to respond better to evolving priorities over the policy period. The current policy states that at least 75% will be based on financial metrics with the balance based on non-financial or personal business metrics. Under the proposed new policy at least 50% will be based on financial objectives giving more scope to include strategic measures if appropriate. However, for 2018, 70% will be based on financial objectives – see further detail below.

Introduction of a long-term incentive plan post-vesting holding period. A post-vesting holding period will be introduced for future long-term incentive awards requiring the Executive Directors to hold the after-tax value of shares until at least five years from grant. This is intended to strengthen alignment between executives and shareholders and to reflect best practice in this area.

More stringent share ownership guidelines. The Committee believes that the achievement and maintenance of a significant level of share ownership plays an important role in aligning the interests of Directors and shareholders. The guideline will be increased to 200% of salary for the CEO and 150% for all other Directors (up from 150% for the CEO and 100% for other directors). Directors will continue to be required to retain all vested shares (net of tax) until the share ownership guideline is met. This will apply to vested deferred bonus shares as well as shares vesting from any long-term incentive plans.

2017 remuneration

The 2017 annual bonus plan had two elements, Adjusted Operating Profit (Operating Profit[1]) and Guest Service. Operating Profit of £314m, was above the threshold level of £310m required for bonus under this element to begin accruing and, as a result, 3% of salary (out of 75% of salary) under this element was earned.

The primary measure of Guest Service was Net Promoter Score ('NPS'), which is used as a survey to measure guest satisfaction. Good progress has been made and an NPS score of 59% was achieved, well above the maximum of 53% required to trigger a full pay-out under this element and as a result 25% of salary under this element was earned. In addition, as I outlined in my statement last year, the Committee intended to review performance against other guest metrics, such as TripAdvisor and guest complaints, and I am pleased to confirm that good progress has also been made in these areas. For example, the average TripAdvisor score increased from 3.5 to 3.7 and the number of complaints received also fell by over 7%. During the year the Company has also reviewed its approach to the measurement of guest satisfaction, recognising that guests are increasingly choosing to provide feedback via other channels and in particular social media. To this end a new social media monitoring tool has been introduced which enables all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score, and now over 80% of reviews are responded to by the management team in the business, increasing their direct engagement with their guests.

This resulted in full bonuses being earned under this element which reflected not only the strong actual NPS outcome but also the good progress in guest service overall made during 2017.

The Committee reviewed the results against the Operating Profit measure and guest service and noted the considerable impact of the cost headwinds experienced by the Company in FY 2017 and decided that awarding a bonus of 28% of salary reflected overall performance in the period.

The 2015-2017 Performance Restricted Share Plan ('PRSP') performance condition also had two elements, growth in adjusted earnings per share ('EPS[1]') and total shareholder return ('TSR'), with each element weighted equally. Over the performance period EPS growth was 2.3 p.a., below the threshold level of performance required for vesting (8% p.a.). TSR performance was also below the median threshold required for vesting. As a result, the awards under both elements lapsed.

Approach for FY 2018

Salary

No salary increase will apply for any Executive Director. Phil Urban's salary will remain at £510,000 and Tim Jones' at £426,500. Phil Urban's salary has not increased since his appointment in September 2015 and Tim Jones' salary was last increased in January 2015.

Annual Bonus

For 2018, 70% of bonus will be based on Operating Profit. The remaining 30% will be based on non-profit elements linked to the business scorecard (15% Guest Health, 10% Employee Engagement and 5% Safety), which applies to all managers across Mitchells & Butlers.

Operating Profit (70%)

- Half of the bonus opportunity will be payable for achieving a demanding Operating Profit target. The threshold at which bonus will begin to accrue has been set at 95% of target and full payment for this element would require very strong performance, well in excess of current market consensus.

Non-Profit Elements (30%)

- The remaining 30% of the annual bonus plan will be allocated against the business scorecard as follows:
  - 15% for Guest Health
  - 10% for Employee Engagement
  - 5% for Safety
- The non-profit elements will only be payable if a threshold level of financial performance is achieved. For 2018 this will be set at 97.5% of the Operating Profit target, which is higher than the threshold required for payment under the Operating Profit element.
- Since 2015 the leading measure of Guest Health has been NPS and in 2017 a new social media monitoring tool was introduced enabling all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score.
- In addition, there has been an increased focus on improving the speed at which guest complaints are resolved, alongside a commitment to reducing the overall number of complaints received.
- With this in mind, for 2018 the Guest Health measure will comprise a combination of all three elements, NPS, a combined social media review score and guest complaints. Each element will have equal weighting and to achieve a maximum payment performance will need to exceed target on at least two elements and be at target or better for the third element. This rounded assessment ensures that guest service improvements are reviewed comprehensively and are not solely based on one metric.
- Mitchells & Butlers has measured employee engagement for a number of years, and a clear correlation has been established between employee engagement and guest satisfaction, which in turn has a positive impact on sales. For this reason, the Committee felt that employee engagement should form part of the bonus scheme.
- Food safety will always be a key priority and including a measure based on the proportion of our businesses that achieve a high National Food Hygiene Rating reflects our continued focus on the safe operation of our businesses. As an additional check, overall workplace safety performance will also be taken into account when determining the bonus safety outcome.
- More broadly, the Committee will continue to consider the overall performance of the Company, not just the outcome of each individual measure.

Long-term incentives

The market is ever more challenging and uncertain, and the Committee wants to take account of the further work the CEO is undertaking in defining plans that will further improve sales and increase efficiencies, in line with our three strategic priorities. Therefore, the Committee did not consider it appropriate to determine measures or agree targets for a long-term incentive plan at this time. This will be a matter that the Committee considers over the next few months and does not expect to make an award until after the 2018 AGM. We will consult with major shareholders prior to making any award. The performance conditions will be disclosed in full at the time of grant.

If you have any comments or questions on any element of the report, please email me, care of Craig Provett, Director of Compensation & Benefits, at Remco@mbplc.com

Imelda Walsh
Chair of the Remuneration Committee
22 November 2017

This report has been prepared on behalf of the Board and has been approved by the Board. The report has been prepared in accordance with the Companies Act disclosure regulations (the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013) (the 'Regulations').

1. Adjusted earnings per share and adjusted operating profit figures included in this report are quoted before separately disclosed items as set out in note 2.2 to the financial statements.

AT A GLANCE

This section briefly summarises the principles that underpin our remuneration policy, highlights performance and remuneration outcomes for FY 2017, and our approach for FY 2018. More detail can be found in the annual report on remuneration on pages 78 to 87.

Remuneration principles

Shareholder alignment

A high proportion of reward is delivered in the form of equity, ensuring Executives have strong alignment with shareholders.

Competitive

Providing competitive reward that promotes the long-term success of the business whilst enabling the attraction, retention and motivation of high calibre senior Executives.

Performance-linked

A significant part of an Executive's reward is linked to the performance of the business with a clear line of sight between business performance and delivery of shareholder value.

Straightforward

The remuneration structure is simple to understand for participants and shareholders and is aligned to the strategic priorities of the business.

FY 2017 annual bonus

The annual bonus was based on two elements: 75% on Operating Profit and 25% on Guest Service as measured by our NPS.

	Target	Actual	Result	Bonus Outcome (% of salary)
Operating Profit	£326m	£314m	96.2 % of target	3
NPS	52%	59%	Maximum	25

Bonus payments equivalent to 28% of base salary are due to be paid to Executive Directors (£145,456 in respect of Phil Urban and £121,717 in respect of Tim Jones).

FY 2017 PRSP vesting

The PRSP awards granted in November 2014 had a performance period ending on 30 September 2017. 50% of the award was based on relative TSR performance and 50% on EPS growth.

	Target	Actual	% vesting
Total Shareholder Return relative to peer group	Median to upper quartile	Below median	Nil
Compound annual adjusted EPS growth	8% to 16% CAGR	2.3% p.a.	Nil

TSR performance was below median and EPS growth of 2.3% p.a. over the period was below the threshold, therefore no part of the award vested.

FY 2017 single figure remuneration for Executive Directors (53 week Financial Year)

	Basic salaries £000	Taxable benefits £000	Short-term incentives £000	Pension related benefits £000	Long-term incentives £000	Total remuneration £000
	2017	**2017**	**2017**	**2017**	**2017**	**2017**
Phil Urban	518	15	146	91	–	**770**
Tim Jones	434	16	122	76	–	**648**
Total	**952**	**31**	**268**	**167**	**–**	**1,418**

Approach for FY 2018

Salary	No salary increase will apply for any Executive Director. Phil Urban's salary will remain at £510,000 and Tim Jones' at £426,500.
Benefits and pension	No change proposed. A pension contribution (or cash equivalent) of 20% of salary will continue to apply.
Annual bonus	No change to potential quantum – 100% of salary. Measures will be Operating Profit (70%), Guest Health (15%), Employee Engagement (10%) and Safety (5%). Half of any bonus payable will be deferred in shares and released in equal parts after 12 and 24 months.
PRSP	Award levels remain unchanged at 200% of base salary for the Chief Executive and 140% of base salary for the Finance Director. The measures and targets for the awards to be made for the 2018-20 cycle are still being determined by the Committee. The performance conditions will be disclosed in full at the time of grant. A two-year holding period will be introduced for all future long-term incentive awards, to strengthen alignment between Executives and shareholders.
Share ownership guidelines	The guideline will be increased to 200% of salary for the CEO and 150% for all other Executive Directors (up from 150% for the CEO and 100% for other Executive Directors). Directors will be required to retain all vested shares (net of tax) until the share ownership guideline is met. This will apply to vested deferred bonus shares as well as shares vesting from any long-term incentive plans.

POLICY REPORT

This section of the report sets out the Company's Directors' remuneration policy that will be put forward for approval in a binding vote of shareholders at the 2018 AGM on 23 January 2018. The policy will take formal effect from that date, subject to shareholder approval. It is intended that the policy will formally apply for the three years beginning on the date of approval.

Key considerations when determining the Directors' remuneration policy

The primary objective of the Directors' remuneration policy is to promote the long-term success of the business whilst ensuring that the Company does not pay more than is necessary. In seeking to achieve this objective, the Committee is mindful of the views of a broad range of stakeholders in the business and accordingly takes account of a number of factors when setting remuneration policy including market conditions, pay and benefits in relevant comparator organisations, terms and conditions of employment across the Group, the Company's risk appetite, the expectations of institutional investors and feedback from shareholders and other stakeholders.

Shareholder views

The Board remains committed to shareholder dialogue and the Remuneration Committee will consult extensively with major shareholders when considering any significant changes to our remuneration arrangements. The Committee also considers shareholder feedback received in relation to the Directors' Remuneration Report each year following the AGM. This, together with any additional feedback received from shareholders and other stakeholders from time to time, is then considered as part of the Committee's annual review of remuneration policy and its implementation. The Committee also actively monitors developments in the expectations of institutional investors and their representative bodies.

Employment conditions

The Committee is regularly updated throughout the year on pay and conditions applying to Group employees. Where significant changes are proposed to employment conditions elsewhere in the Group, these are highlighted for the attention of the Committee at an early stage. The Committee is informed of the base pay review budget applicable to other employees and is cognisant of changes to the National Living Wage and the National Minimum Wage when considering the pay of Executive Directors.

Employees are not specifically consulted on Executive remuneration. All employees are, however, invited to take part in our annual Your Say employee engagement survey in which they have an opportunity to provide anonymous feedback on a wide range of topics of interest or concern to them. The results of the survey are reviewed by the Board; any significant concerns over remuneration would be considered separately by the Committee and, if appropriate, taken into account when determining the remuneration policy. In addition, each year an employee forum is held, which gives the opportunity for employees to ask questions of senior management, via elected representatives. The Remuneration Committee Chair will attend the forum on an annual basis to answer questions raised by employee representatives concerning Executive pay.

The Committee considers a broad range of reference points when determining policy and pay levels; these include external market benchmarks as well as internal reference points. Any such reference points are set in an appropriate context and are not considered in isolation.

The remuneration policy for Executive Directors, which is set out over the following pages supports the business needs of the Company, ensuring it promotes long-term success whilst enabling it to attract, retain and motivate senior Executives of a high calibre. The Committee is satisfied that the remuneration policy supports the Company's strategy of growing long-term shareholder value and appropriately balances fixed and variable remuneration. With a high proportion of reward delivered in the form of equity, this ensures that Executives have a strong alignment with shareholders through the Company's share price.

Changes to the previous Directors' remuneration policy

The Committee has undertaken a thorough review of the existing Directors' remuneration policy, taking full account of the strategic objectives of Mitchells & Butlers and the latest developments in the external pay environment. The Committee has concluded that the current structure, comprising a base salary, benefits, pension, annual bonus and long-term incentive awards delivered in shares, and the overall level of quantum, remains, largely, fit for purpose. However, the Committee has determined that some important amendments to the policy are appropriate to ensure, primarily, that: (i) our incentive arrangements continue to support the long-term success of the Company through a period of market uncertainty; (ii) the policy is sufficiently flexible to remain applicable over the next policy period; and (iii) the alignment between Executive Directors and shareholders is further strengthened.

The key changes are set out below:

- **Increased flexibility in selection of bonus measures.** We are proposing to allow greater flexibility in the selection of annual bonus measures, to enable us to better respond to evolving priorities over the policy period. The current policy states that at least 75% will be based on financial metrics with the balance based on non-financial or personal business metrics. It is proposed that the new policy requires that at least 50% is based on financial objectives giving us more scope to include strategic measures if appropriate. At the present time, the Committee intends that 70% of the bonus opportunity will be based on financial metrics.
- **Introduction of a long-term incentive plan post-vesting holding period.** A post-vesting holding period will be introduced for future long-term incentive awards requiring the Executive Directors to hold the after-tax value of shares until at least five years from grant. This is intended to strengthen alignment between Executives and shareholders and to reflect best practice in this area.
- **More stringent share ownership guidelines.** The Committee believes that the achievement and maintenance of a significant level of share ownership plays an important role in aligning the interests of Directors and shareholders. The guideline will be increased to 200% of salary for the CEO and 150% for all other Directors (up from 150% for the CEO and 100% for other Directors). Directors will continue to be required to retain all vested shares (net of tax) until the share ownership guideline is met. However, this will now also apply to vested deferred bonus shares.

Policy table

The table below summarises each element of the remuneration policy applicable to Executive Directors.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Base salary				
Provides a sound basis on which to attract and retain Executives of appropriate calibre to deliver the strategic objectives of the Group. To reflect the market value of the role, personal contribution, experience and competence.	Salaries are normally subject to annual review, typically effective from 1 January. Salary levels may be influenced by: • role, experience or performance; • Group profitability and prevailing market conditions; and • periodic external benchmarking of similar roles at comparable companies by size and sector. Payable four-weekly throughout the year. Pensionable.	The general policy is to set salaries broadly around mid-market levels with increases (in percentage terms) typically in line with that of the Company's UK workforce. Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances such as when there is a change in the individual's role or responsibility or where there has been a fundamental change in the scale or nature of the Company. In addition, a higher increase may be made where an individual had been appointed to a new role at below market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than for the wider workforce. There may also be circumstances where the Committee agrees to pay above mid-market levels to secure or retain an individual who is considered, in the judgement of the Committee, to possess significant and relevant experience which is required to enable the delivery of the Company's strategy.	Executive Directors' performance is a factor considered when determining salaries. Performance is reviewed in line with the established performance review process in place across the Group.	No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Annual Performance Bonus (cash and shares)				
Provides a direct link between annual performance and reward. Incentivises the achievement of key measures linked to Company strategy. Deferred bonus, awarded in shares, provides a retention element and additional alignment of interests to shareholders.	The Committee determines bonus payment level after the year-end by reference to performance targets previously set by the Committee. The cash element of the bonus is normally payable in December following the end of the financial year. Up to half of any bonus award is payable in cash. At least half of any bonus award is deferred as shares under the terms of the Short Term Deferred Incentive Plan ('STDIP') below. Key terms of the STDIP are: • Deferred bonus share awards are normally released in two equal amounts 12 and 24 months after deferral subject to continued employment (or good leaver status). • At the discretion of the Committee dividends paid between grant and vesting may accrue on vested shares. • Shares, which vest, after the settlement of income tax and national insurance must be retained until the relevant shareholding guideline has been met. Non-pensionable.	Currently the normal maximum payment is 100% of salary. At the discretion of the Committee, the maximum earnings potential may be increased in line with the plan rules up to 150% of salary.	The majority of the bonus outcome will be based on financial measures. This may be a single measure or a mix of metrics as determined by the Committee. The remainder may be based on non-financial measures or personal business objectives. The bonus measures are reviewed annually and the Committee has the discretion to vary the mix of measures or to introduce new measures taking into account the strategic focus of the Company. No bonus is payable under the financial element(s) unless a demanding threshold level of performance is achieved. As the bonus is subject to performance conditions, any deferred bonus is not subject to further performance conditions but remains subject to recovery and withholding provisions. The Committee may alter the bonus outcome if it considers that the payout is inconsistent with the Company's overall performance taking account of any factors it considers relevant. This will help ensure that payouts reflect overall Company performance during the period. The Committee will consult with leading investors if appropriate before any exercise of its discretion to increase the bonus outcome.	Recovery and withholding provisions apply where there has been a misstatement of the accounts, or other data, or a serious misdemeanour or serious misconduct by the participant has occurred prior to payment or vesting or within two years of payment or vesting of shares.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Long Term Incentive Plan (Performance Restricted Share Plan, 'PRSP')				
To align the interests of senior Executives with sustained long-term value creation. Incentivises participants to grow the business for the long term in line with the Company's strategy. To provide an element of retention through and beyond the performance period.	Discretionary awards may be made each year, normally taking the form of nil or nominal cost options. Awards normally have a three year performance and vesting period. At the discretion of the Committee vested options may attract Dividend Accrued Shares between award and the end of the vesting or holding period. A two year post-vesting holding period applies which requires awards to be retained for a period of two years from the end of the vesting period, except for shares sold to pay income tax and national insurance upon exercise/vesting. Shares, which vest, after the settlement of income tax and national insurance, must be retained until the relevant shareholding guideline has been met. Under the rules of the PRSP, conditional share awards may also be granted although there is currently no plan to grant such awards. Non-pensionable.	Currently the normal maximum annual award is up to 200% of salary. The PRSP rules include an annual award limit of 250% of salary. Any increase to the normal maximum of 200% of salary, other than in exceptional circumstances such as recruitment, would be subject to prior consultation with leading investors, if appropriate.	Performance is normally measured over no less than three financial years. Awards will be subject to the achievement of stretching targets designed to incentivise performance in support of the Group's strategy and business objectives. The Committee has the flexibility to vary the mix of measures or to introduce new measures for each award, taking into account business priorities at the time of grant. For TSR and financial measures, up to 25% of that element may vest for threshold performance. The Committee may alter the vesting outcome if it considers that the level of vesting is inconsistent with the Company's overall performance taking account of any factors it considers relevant. This will help ensure that vesting reflects overall Company performance during the period. The Committee would seek to consult with leading investors if appropriate, before any exercise of its discretion to increase the vesting outcome.	Recovery and withholding provisions apply where there has been a misstatement of the accounts, or other data, or a serious misdemeanour or serious misconduct by the participant has occurred prior to payment or vesting or within two years of vesting of shares.
Pension (or cash allowance)				
To provide a market-aligned retirement benefit.	Contribution towards a Company or personal pension scheme and/or a cash allowance in lieu of Company pension contributions, or a combination of both.	The Company contribution is up to 20% of base salary.	No performance metrics apply.	No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Other benefits				
To provide competitive and market-aligned benefits to assist in retaining and attracting Executives.	Benefits normally include (but are not limited to) private healthcare, life assurance, annual health check, employee assistance programme, use of a Company vehicle or cash equivalent, and discounts on food and associated drinks purchased in our businesses. Private healthcare is provided for the Executive, spouse or partner and dependent children. Discount vouchers are provided on the same basis to all employees and can be redeemed in any of our managed businesses provided the purchase is a personal, not a business, expense. Executive Directors may participate in any of the Company's all-employee share schemes (e.g. Sharesave and SIP) on the same basis as all other employees and in line with prevailing HMRC limits. Relocation or the temporary provision of accommodation may be offered where the Company requires a Director to relocate. Expatriate allowances may be offered where required. Travel and, if relevant, related expenses such as accommodation may be reimbursed on a gross of tax basis. Executive Directors may become eligible for any new benefits introduced to a wider set of other Group employees.	In line with market practice, the value of benefits may vary from year to year depending on the cost to the Company from third-party suppliers.	No performance metrics apply.	No recovery or withholding provisions apply other than if relocation costs were provided. A proportion of any relocation costs may be recovered where a Director leaves the employment of the Group within two years of appointment or date of relocation.
Shareholding policy				
To align the interests of the Executive Directors with shareholders and promote a long-term approach to risk management.	The Chief Executive is expected to hold and maintain Mitchells & Butlers' shares to the value of a minimum of 200% of base salary. Other Executive Directors are expected to hold and maintain Mitchells & Butlers' shares to the value of a minimum of 150% of base salary. Except for those sold to cover the acquisition cost together with the associated income tax and National Insurance contributions, Executive Directors will be required to retain shares arising from share schemes until the minimum level of ownership required has been achieved. Only shares owned outright by the Executive Director or a connected person are included. Shares or share options which are subject to a performance condition are not included. Deferred shares and options which are vested but unexercised, are also not included.	n/a	n/a	n/a

Notes to the policy table

Selection of performance measures and targets

The choice of performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of key financial targets and individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The choice of the performance conditions applicable to the PRSP awards will be aligned with the Company's objective of delivering superior levels of long-term value to shareholders. The Committee has retained flexibility on the measures, which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. Notwithstanding this, the Committee would, if appropriate, seek to consult with major shareholders in advance of any material change to the choice or weighting of the PRSP performance measures.

The Committee will review the calibration of targets applicable to the annual bonus and the PRSP annually to ensure they remain appropriate and sufficiently challenging, taking into account the Company's strategic objectives and the interests of shareholders.

Differences in remuneration policy between Executive Directors and other employees

The overall approach to reward for employees across the workforce is a key reference point when setting the remuneration of the Executive Directors. When reviewing the salaries of the Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce and in normal circumstances the increase for Executive Directors will be no higher than the average increase for the general workforce.

The key difference between the remuneration of Executive Directors and that of our other employees is that, overall, at senior levels, remuneration is increasingly long term, and 'at risk' with an emphasis on performance-related pay linked to business performance and share-based remuneration. This ensures that remuneration at senior levels will increase or decrease in line with business performance and provides alignment between the interests of Executive Directors and shareholders. In particular, long-term incentives are provided only to the most senior Executives, as they are reserved for those considered to have the greatest potential to influence overall levels of performance.

The Company operates HMRC-approved all-employee share plans (Sharesave and SIP) enabling all our employees to become shareholders in the Company.

Legacy arrangements

For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this remuneration policy, for example, those outstanding and unvested incentive awards which have been disclosed to shareholders in previous remuneration reports. The Committee may also approve payments outside of this remuneration policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board of Directors.

All historic awards that were granted but remain outstanding, remain eligible to vest based on their original award terms.

Incentive plan discretions

The Committee will operate the incentive plans described in the policy table according to their respective rules, the policy set out above and in accordance with the Listing Rules, applicable legislation and HMRC guidance where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of award and/or payment, subject to policy limits;
- the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends).

Any use of the above discretions would, where relevant, be explained in the annual report on Directors' remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Chairman and Non-Executive Director fees

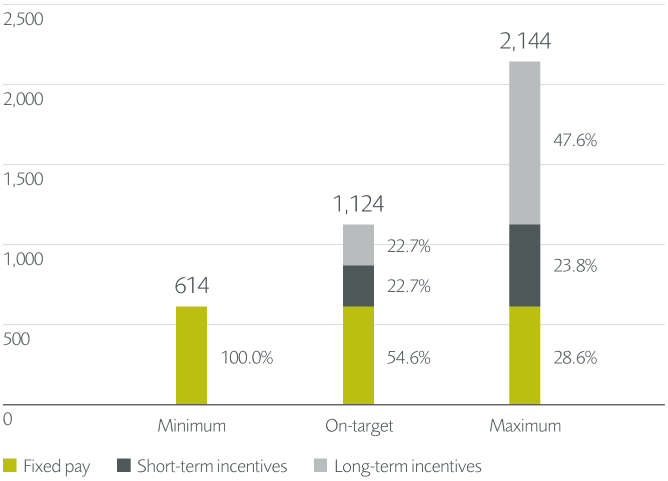
Purpose and link to strategy	Operation	Opportunity	Performance metrics	Recovery or withholding
Fees				
To attract and retain Non-Executive Directors of appropriate calibre and experience.	Payable in cash, four-weekly throughout the year. Fees are normally reviewed annually with any increase usually taking effect from 1 January each year. The Chairman's fee is reviewed annually by the Committee (without the Chairman present). Fee levels for the Non-Executive Directors are determined by the Company Chairman and Executive Directors by reference to companies of similar size and sector as well as time commitment and responsibilities. Non-Executive Directors receive an additional fee for chairing a committee. Where a Non-Executive Director undertakes additional responsibilities, other than the chairing of a committee, additional fees may be set. Travel, accommodation and other related expenses incurred in carrying out the role will be paid by the Company including, if relevant, any gross-up for tax.	Current fee levels are shown in the annual report on remuneration. Fee levels may be increased, taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees to recognise the additional workload.	No performance metrics apply.	No recovery or withholding applies.

Non-Executive Directors do not participate in the Company's bonus arrangements, share schemes, benefit schemes (other than the all-employee discount voucher scheme) or pension plans.

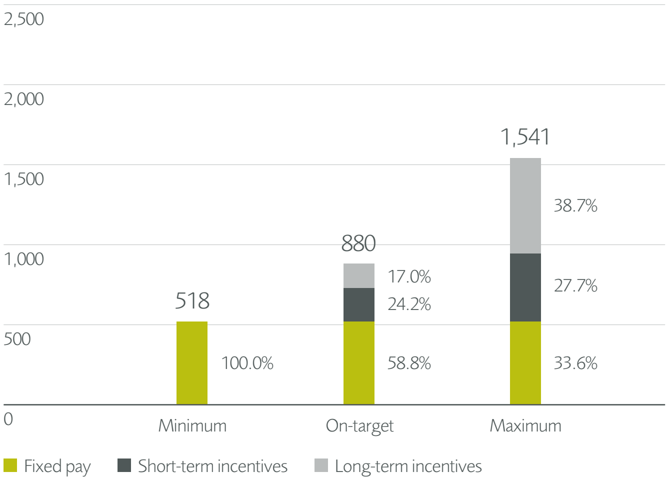
Illustrations of application of remuneration policy

A key principle of the Group's remuneration policy is that variable short- and long-term reward should be linked to the financial performance of the Group. The charts below show the composition of the remuneration of the CEO and Finance Director at minimum, on-target and maximum levels of performance in FY 2018.

Chief Executive £000



Finance Director £000



The performance scenarios demonstrate the proportion of maximum remuneration which would be payable in respect of each remuneration element at each of the performance levels. In developing these scenarios the following assumptions have been made:

Minimum

Only the fixed elements of remuneration are payable. The fixed element consists of base salary, benefits and pension. Base salary is the salary effective from 1 January 2018. Benefits are based on actual FY 2017 figures and include company car, healthcare and taxable expenses. Pension is the cash allowance and/or Company pension contribution payable in respect of base salary from 1 January 2018.

On-target

In addition to the minimum, this reflects the amount payable for on-target performance under the short- and long-term incentive plans:

- 50% of maximum (50% of base salary for the Chief Executive and Finance Director) is payable under the short-term incentive plan; and
- 25% of the award (50% of base salary for the Chief Executive and 35% of base salary for the Finance Director) is payable under the long-term incentive plan.

Maximum

In addition to the minimum, maximum payment is achieved under both the short- and long-term incentive plans such that:

- 100% of base salary is payable under the short-term incentive plan for the Chief Executive and Finance Director; and
- 200% of base salary for the Chief Executive and 140% of base salary for the Finance Director is payable under the long-term incentive plan.

A breakdown of the elements included in the illustrations of application of remuneration policy is shown in the table below:

	Fixed (£000)				Short-term plan (£000)		Long-term plan (£000)	
	Base pay	Benefits	Pension	Total fixed	On-target	Maximum	On-target	Maximum
Chief Executive	510	15	89	614	255	510	255	1,020
Finance Director	426.5	16	75	517.5	213.3	426.5	149.3	597.1

Note: The value received under the short-term plan is the gross value of awards before 50% is deferred into shares. The values received under the short-term plan and long-term incentive plan do not take into account dividend accrued shares that are payable on the vesting of awards nor any changes in share price.

Service contracts

Executive Directors' contracts

The table below summarises key elements of the service contracts applicable to Executive Directors:

Notice period	• Executive Directors are employed under service contracts that may be terminated at any time on up to one year's notice from the Company and on a minimum of six months' notice from the Executive Director. • Any payment made in lieu of notice would comprise base salary only[a] and may be payable in instalments in line with the established salary payment dates until the expiry of the notice period or, if earlier, may be the date on which alternative employment or other engagement is secured with the same or higher base salary. If employment is secured at a lower rate of base salary, subsequent instalments of the payment in lieu of notice may be reduced by the value of alternative income. • Service contracts contain a provision enabling the Company to put the Executive Director on garden leave after notice to terminate the service contract has been given by either party. During this period, the Executive will be entitled to base salary only. • There is no enhanced provision on a change of control.
Termination	• If an Executive Director's employment with the Group ends during the financial year, normally any entitlement to bonus for that year is forfeited. However, if the individual leaves by reason of ill-health, injury, disability, retirement, redundancy, death or sale of the employing business or company or if the Committee so decides in any other case, at the Committee's discretion the Executive Director may receive a bonus pro-rated to time employed in the year or to such later date as the Committee may decide. In such circumstances, the Committee may decide, at its discretion, to pay all the bonus in cash. • If an Executive Director ceases employment following the end of the financial year but before payment of the bonus in respect of that year, there is no entitlement to a bonus but the Committee may, at its discretion, pay a bonus for that year. Any such bonus, at the Committee's discretion, may be all in cash. • If an Executive Director ceases employment prior to the release of Bonus Award Shares under the STDIP for the same specified good leaver reasons as set out above, the Committee, at its discretion, may release the Bonus Award Shares (and associated Dividend Accrued Shares) at the date of termination. Otherwise, the shares will be released on the normal release date. If the Director leaves for any other reason, his entitlement to Bonus Award Shares (and associated Dividend Accrued Shares) is forfeited, unless the Committee decides otherwise. • If an Executive Director dies before an Award under the PRSP has vested, vesting of the award (and associated Dividend Accrued Shares) will occur as soon as practicable based on performance and on a time pro-rated basis. • If the Executive Director ceases employment for the same defined good leaver reasons as are specified above, the PRSP Award (and associated Dividend Accrued Shares) will vest following the end of the normal performance period and on a time pro-rated basis. If employment ceases for any other reason, the Award will normally lapse, unless the Committee decides otherwise (except that if employment ceases by reason of gross misconduct the PRSP Award (and associated Dividend Accrued Shares) must lapse). • The Committee has no discretion in relation to shares or options held under the all-employee share plans (SIP and Sharesave); on termination these will vest, become exercisable or lapse in accordance with the legislation.

a. This arrangement applies to Phil Urban and any future Executive Director appointments. Any payments in lieu of notice in respect of Tim Jones, who is employed on a legacy contract, will comprise base salary and contractual benefits only.

In the event that the Company terminates an Executive Director's service contract other than in accordance with the terms of his contract, the Committee will act in the best interests of the Company, and ensure there is no reward for failure. When determining what compensation, if any, is to be paid to the departing Executive Director, the Committee will give full consideration to the circumstances of the termination, the Executive Director's performance, the terms of the service contract relating to notice and payments in lieu of notice, and the obligation of that Executive Director to mitigate any loss which may be suffered as a result.

Although the Company would seek to minimise termination costs, the Committee may in appropriate circumstances provide other elements in a leaving Director's termination package, including (without limitation): compensation for the waiver of statutory rights in exchange for the Director executing a settlement agreement; payment of the leaving Director's legal fees in connection with his termination arrangements; and payment of outplacement fees. In addition, the Committee may determine that the Director should continue to be engaged by the Company on consultancy or other terms following cessation of his directorship.

External directorships

Executive Directors may accept one external Non-Executive appointment with the Company's prior approval, as long as this is not likely to lead to conflicts of interest.

Non-Executive Directors

Non-Executive Directors, including the Company Chairman, do not have service contracts but serve under letters of appointment. Non-Executive Directors' appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination.

Ron Robson and Josh Levy were appointed to the Board pursuant to the terms of the Piedmont Deed of Appointment, information on which is set out on page 49.

Copies of both the individual letters of appointment for Non-Executive Directors and the service contracts for Executive Directors are available at the Registered Office of the Company during normal business hours and on our website. Copies will also be available for shareholders to view at the 2018 AGM.

Recruitment of Executive Directors

Where it is necessary to appoint a replacement or additional Executive Director, the Committee will set a base salary appropriate to the calibre, experience and responsibilities of the new appointee and in line with our policy set out on page 70.

The maximum level of variable pay is 400% of base salary (150% in relation to annual cash bonus/STDIP and 250% in relation to the PRSP).

Depending on the timing and responsibilities of the appointment, it may be necessary to set different annual bonus/STDIP performance measures and targets than those applicable to other Executive Directors.

Benefits (including pension, Company vehicle or cash allowance, healthcare, life assurance, health check and, where applicable, relocation assistance) would be consistent with the principles of the policy as set out on pages 72 and 73.

For an internal appointment, his or her existing pension arrangements may continue to operate (which may include participation as an employee deferred member in the defined benefit plan, which is closed to future accrual) and any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on Directors' remuneration.

In addition to the above, the Committee may offer additional cash and/or share-based elements in order to 'buy-out' remuneration relinquished on leaving a former employer. In the event that such a buy-out is necessary to secure the services of an Executive Director then the structure of any award or payment will mirror, as far as is possible, the arrangements in place at the incoming Executive Director's previous employer. Any share awards made in this regard may have no performance conditions, or different performance conditions, or a shorter vesting period compared to the Company's existing plans, as appropriate. Shareholders will be informed of any buy-out arrangements at the time of the Executive Director's appointment.

Recruitment of Non-Executive Directors

Non-Executive Directors' fees are set by the Chairman and Executive Directors; and the Chairman's fee is set by the Remuneration Committee.

Chairman

The Committee will recommend to the Board a fee appropriate to the calibre, experience and responsibilities of the new appointee.

Other Non-Executive Directors

The fee will be set in line with the fee structure for Non-Executive Directors in place at the date of appointment.

ANNUAL REPORT ON REMUNERATION

This section details the remuneration payable to the Executive and Non-Executive Directors (including the Chairman) for the financial year ended 30 September 2017, and sets out how we intend to implement our remuneration policy for the 2018 financial year. This report, along with the Chair's annual statement, will be subject to a single advisory vote at the AGM on 23 January 2018.

Committee terms of reference

The Committee's terms of reference were last reviewed in 2016 and are available on our website.

The Committee's main responsibilities include:

- determining and making recommendations to the Board on the Company's executive remuneration policy and its cost;
- taking account of all factors necessary when determining the policy, the objective of which shall be to ensure remuneration policy promotes the long-term success of the Company;
- determining the individual remuneration packages of the Executive Directors and other senior Executives, and the Company Chairman;
- having regard to the pay and employment conditions across the Company when setting the remuneration of individuals under the remit of the Committee; and
- aligning Executive Directors' interests with those of shareholders by providing the potential to earn significant rewards where significant shareholder value has been delivered.

Committee membership and operation

Committee members and their respective appointment dates are detailed in the table below.

Name	Date of appointment to the Committee	Name	Date of appointment to the Committee
Imelda Walsh (Chair)*	11 July 2013	Bob Ivell	11 July 2013
Colin Rutherford*	11 July 2013	Eddie Irwin	11 July 2013
Stewart Gilliland*	11 July 2013	Josh Levy	20 July 2017
Dave Coplin*	29 Feb 2016		

* Independent Non-Executive Directors.

Ron Robson was a member of the Committee from 11 July 2013 and stepped down on 20 July 2017.

Committee activity during the year

The Committee met five times during the year and key agenda items included the following:

October 2016

- 2017 Bonus arrangements
- 2017–2019 PRSP awards

November 2016

- 2017 Bonus targets
- 2016 Bonus outcome
- CEO pay ratio
- Review of Directors' expenses
- Executive Director and Executive Committee salary review
- National Living Wage outlook

June 2017

- Update on governance developments
- Review of Directors' remuneration policy

July 2017

- Remuneration policy review

September 2017

- Remuneration policy review
- LTIP arrangements

Advice to the Committee

During the year, the Committee continued to receive advice from New Bridge Street ('NBS'), a trading name of Aon Plc. NBS was appointed following a competitive tender in 2014. NBS is a signatory to the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code. Total fees payable in respect of remuneration advice to the Committee in the reporting year totalled £54,780[1]. Aon Plc provided advice on a potential insurance product, but no fees have been paid in respect of such advice in FY 2017.

Advice was also received from the Company's legal advisers, Freshfields Bruckhaus Deringer LLP, on the operation of the Company's employee share schemes and on corporate governance matters. Clifford Chance LLP also provided advice in relation to pension schemes.

The Committee is satisfied that the advice received from its advisers was objective and independent.

Members of management including Susan Martindale, the Group HR Director and Craig Provett, the Director of Compensation & Benefits, are invited to attend meetings on remuneration matters where appropriate. They are not present when matters affecting their own remuneration arrangements are decided. The Company Chairman does not attend Board or Committee meetings when his remuneration is under review. Phil Urban and Tim Jones were present at meetings where the Company's long and short-term incentive arrangements and share schemes were discussed. However, each declared an interest in the matters under review.

1. Fees are shown net of VAT. 20% VAT was paid on the advisers' fees shown above.

Statement of voting at AGM

At the last AGM (held on 24 January 2017), the resolution on the Annual Report on Remuneration received the following votes from shareholders:

	Votes cast	Votes for[a]	%	Votes against	%	Votes withheld[b]
Annual report on remuneration	357,469,741	357,130,786	99.91	338,955	0.09	4,987,454

a. The 'For' vote includes those giving the Company Chairman discretion.
b. A vote withheld is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution.

Votes 'For' and 'Against' are expressed as a percentage of votes cast.

Pay outcomes

The tables and related disclosures set out on pages 79 to 83 on Directors' remuneration, deferred annual bonus share awards ('STDIP'), PRSP share options, Share Incentive Plan and pension benefits have been audited by Deloitte LLP.

Directors' remuneration

The tables set out the single figure remuneration received by the Executive Directors and the Non-Executive Directors during the reporting year. Figures shown for 2017 are on a 53 week basis. Details of performance under the annual bonus plan are set out on pages 80 and 81.

Executive Directors

	Basic salaries £000		Taxable benefits[a] £000		Short-term incentives £000		Pension related benefits[b] £000		Long-term incentives £000		Loss of office £000		Total remuneration £000	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Phil Urban[c]	**518**	509	**15**	15	**146**	–	**91**	89	**–**	–	**–**	–	**770**	613
Tim Jones[c]	**434**	425	**16**	15	**122**	–	**76**	75	**–**	–	**–**	–	**648**	515
Sub-total Executive Directors	**952**	934	**31**	30	**268**	–	**167**	164	**–**	–	**–**	–	**1,418**	1,128

Non-Executive Directors

	Fees £000		Taxable benefits[d] £000		Short-term incentives £000		Pension related benefits[b] £000		Long-term incentives £000		Loss of office £000		Total remuneration £000	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Bob Ivell	**290**	284	**4**	6	**–**	–	**–**	–	**–**	–	**–**	–	**294**	290
Ron Robson	**53**	52	**0**	1	**–**	–	**–**	–	**–**	–	**–**	–	**53**	53
Stewart Gilliland	**63**	62	**1**	1	**–**	–	**–**	–	**–**	–	**–**	–	**64**	63
Eddie Irwin	**53**	52	**0**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	52
Colin Rutherford	**138**[e]	62	**1**	1	**–**	–	**–**	–	**–**	–	**–**	–	**139**	63
Imelda Walsh	**63**	62	**0**	–	**–**	–	**–**	–	**–**	–	**–**	–	**63**	62
Josh Levy[f]	**53**	45	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	45
Dave Coplin[g]	**53**	30	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**54**	30
Keith Browne[h]	**53**	0	**0**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	0
Douglas McMahon[i]	**–**	7	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	7
Sub-total Non-Executive Directors	**819**	656	**8**	9	**–**	–	**–**	–	**–**	–	**–**	–	**827**	665
Total Executive Directors and Non-Executive Directors	**1,771**	1,590	**39**	39	**268**	–	**167**	164	**–**	–	**–**	–	**2,245**	1,793

Note: All 2017 figures are shown on a 53 week basis

a. Taxable benefits for the year comprised car allowance, healthcare, taxable expenses and the award of free shares under the all-employee SIP to Tim Jones as set out on page 82.
b. Based on the value of supplements paid in lieu of contributions to the Company Scheme.
c. The base salary for Phil Urban is £510,000 and for Tim Jones £426,500. The figures set out are the actual salaries received over the financial year, which had 371 days.
d. Taxable benefits for Non-Executive Directors include cash payments made or accounted for by the Company relating to the reimbursement of expenses (and the value of personal tax on those expenses).
e. This amount includes the additional fee approved by the Board and paid in respect of the work carried out by Mr Rutherford in leading the Company's discussions with the trustee of the Company's two defined benefit schemes which resulted in the agreement of the 2016 triennial valuations of those schemes as described more fully on page 43 of the Annual Report.
f. Josh Levy joined the Board on 13 November 2015.
g. Dave Coplin joined the Board on 29 February 2016.
h. Keith Browne joined the Board on 22 September 2016.
i. Douglas McMahon stepped down from the Board on 13 November 2015.

Annual performance bonus and STDIP

The annual bonus and STDIP operate as set out in the policy section of this report. Details of the measures and targets applying to the 2017 plan are set out below:

Performance measures*	Threshold – 95% of Target (% of salary payable)	99% of Target (% of salary payable)	Target (% of salary payable)	Maximum – 105% of Target (% of salary payable)
Adjusted Operating Profit (£) – 75%	£310m (0%)	£323m (10%)	£326m (30%)	£342m (75%)

	Threshold (% of salary payable)	Target (% of salary payable)	Maximum (% of salary payable)
Guest Service: (NPS average % score over the year) – 25%	51 (6.25%)	52 (12.5%)	53 (25%)

* Payout is on a straight-line basis between points.

Operating profit

In determining the Operating Profit target range the Committee took into consideration a range of factors, such as the general economic and market outlook, an assessment of the significant future cost headwinds facing the business and internal plans. These cost headwinds included increases to national living wage, an increase in business rates, the impact of the depreciation of sterling following the result of the referendum on the UK's membership of the European Union on food and drink costs, the in-year cost of the capital plan and the planned mitigating actions. Target was set broadly in line with the 2016 out-turn and market consensus, with an award towards the maximum level requiring significant outperformance over and above the Company's business plan.

The Group delivered Operating Profit of £314m which was above the threshold level of performance required for bonus to begin accruing under this element and has resulted in a pay-out of 3% of base salary. The Operating Profit outcome reflected strong sales performance over the year with total sales increasing by £94m to £2,180m. Like-for-like sales growth of 1.8% consistently outperformed the market with noticeable improvements across almost our entire brand portfolio. The actions taken under each of our strategic priorities have not only seen a return to sustained sales growth but have also enabled a significant proportion of the cost headwinds to be mitigated, and as a result the fall in Operating Profit was limited to £10m in the year (on a 52 week basis), a credible performance in the circumstances.

Guest Health

NPS was the lead measure of Guest Health in 2017 with progress against other guest metrics such as Trip Advisor and complaints also taken into consideration to ensure a rounded and more comprehensive assessment.

The NPS targets were set at the start of the financial year and were based on a new survey that included a more robust method of collecting data and therefore result validity. The old survey required team members to encourage guests to leave feedback at the end of their visit. The new survey solicits feedback from guests in several ways, for example via e-mail after booking on line or through one of our brand apps. This means that surveys are more likely to be completed away from the business and after a period of time has elapsed, which can impact how the survey is answered. It also means that significantly more surveys are completed; each week c.25,000 guests are invited to leave feedback.

At the point the targets were set, the new survey had been in place for a relatively short period and therefore historic data was limited. The 51 to 53 target range set by the Committee was stretching based on this historic data and insights from the data provider. The actual achievement for the year was a score of 59 and therefore significantly ahead of the maximum target set. With the benefit now of a year's worth of data, the Committee looked carefully at the original targets and the significant degree of outperformance achieved. Therefore, the Committee viewed as particularly important a more comprehensive review of Guest Health measures whilst acknowledging a substantial year-on-year improvement in NPS has been delivered.

The progress made in overall Guest Health is demonstrated by an improvement in TripAdvisor scores from 3.5 in 2016 to 3.7 by the end of 2017 (and a 37 point increase in TripAdvisor response rates, an increase of over 70,000 responses), and a 7% reduction in the number of complaints received.

During the year the Company has also reviewed its approach to the measurement of guest satisfaction, recognising that Guests are increasingly choosing to provide feedback via other channels and in particular social media. To this end, a new social media monitoring tool has been introduced which enables all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score, and now over 80% of reviews are responded to directly by pub and restaurant management teams.

The Committee believes the bonus outcome under the Guest Health element reflects the NPS outcome, when considered alongside the good progress made in other measures of Guest Health.

As a result, bonus payments equivalent to 28% of base salary are due to be paid to Executive Directors (£145,546 in respect of Phil Urban and £121,717 in respect of Tim Jones).

In line with our policy, half of the bonus award will be deferred into shares under the STDIP, which will be released in two equal amounts after 12 and 24 months, and shares must be retained until the relevant shareholding guideline has been met.

Long-term incentives vesting during the year

During FY 2015 awards were made to Tim Jones and the former CEO, Alistair Darby, under the terms of the PRSP to the value of 140% and 200% of their respective base salaries. The performance condition had two independent elements; compound annual adjusted EPS growth and TSR performance against a group of sector peers, measured over the three year performance period ending 30 September 2017.

The table below summarises performance against each element of the performance condition.

2015-2017 PRSP – performance conditions	Target**	Actual	% vesting
Total Shareholder Return relative to peer group*	Median to upper quartile	Below median	Nil
Compound annual adjusted Earnings Per Share ('EPS') growth	8% to 16% CAGR	2.3%p.a.	Nil

* Comprising the constituents of the FTSE All Share Travel and Leisure index.
** Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.

As TSR performance fell below the median performance of the comparator group and EPS fell below the threshold level of growth required, the FY 2015 plan awards will lapse in full.

Long-term incentive awards made in FY 2017

An award was made to the Chief Executive and Finance Director in November 2016 in accordance with the rules of the PRSP and within the approved Directors' remuneration policy.

The independent elements of the performance measure for this award, each of which accounts for 50% of the award, are summarised below:

	Threshold vesting target*	Maximum vesting target
1. Compound annual adjusted Earnings Per Share ('EPS') growth (measured before separately disclosed items and other adjustments).	25% will vest if the compound annual EPS growth is 4%.	100% will vest if compound annual EPS growth is at least 8%.
2. Total Shareholder Return ('TSR') relative to a peer group of comparator companies.**	25% will vest for TSR performance equivalent to the median of the comparator group.	100% will vest for TSR performance equivalent to the upper quartile of the comparator group.

* Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.
** Comprises the constituents of the FTSE All Share Travel & Leisure group.

The EPS and TSR conditions are measured over three years from the start of the financial year in which they are granted, i.e. the three financial years from 25 September 2016, ending in September 2019.

As set out in last year's report, the EPS target range has a threshold level of performance set at 4% growth p.a. and maximum set at 8% growth p.a. The Committee believed that this target range was demanding in the context of the earnings forecast at the time of the award, given the significant cost challenges the business faced.

The TSR element of the award is also subject to a share price underpin and awards may only be exercised where the Mitchells & Butlers share price has equalled or exceeded the share price at the date of award within six months of the vesting date. If this condition is not met, then the TSR-related awards will lapse.

Performance measurement under the PRSP, which is not re-tested, is reviewed and certified by the Company's auditor.

Details of awards made to Executive Directors under the PRSP are set out below.

	Options awarded during the year to 30/09/17	Basis of award (% of Basic Annual Salary)	Award date	Market price per share used to determine the award (p)	Actual/ planned vesting date	Latest lapse date	Face value* £
Executive Directors							
Phil Urban	397,970	200	24/11/16	256.3	Nov 19	Nov 21	979,404
Tim Jones	232,968	140	24/11/16	256.3	Nov 19	Nov 21	573,334
Total	**630,938**						

* Face value is the maximum number of shares that would vest (excluding any dividend shares that may accrue) if the performance measure (as described above) is met in full, multiplied by the middle market quotation of a Mitchells & Butlers share on the day the award was made (246.1p).

The aggregate option price of each award is £1.

All-employee SIP and Sharesave

The table below shows the awards made to Directors under the free share element of the SIP during the year. No awards were made to Directors under the Sharesave plan during FY 2017.

SIP

	Shares awarded during the year 25/09/16 to 30/09/17	Award date	Market price per share at award (p)	Normal vesting date	Market price per share at normal vesting date (p)	Lapsed during period
Director						
Phil Urban	1,551	21/6/17	232	21/6/20	n/a	n/a
Tim Jones	1,322	21/6/17	232	21/6/20	n/a	n/a
Total	**2,873**					

Directors' entitlements under the Partnership Share element of the SIP are set out as part of the Directors' interests' table on page 83.

PRSP, STDIP and other share awards

The table below sets out details of the Executive Directors' outstanding awards under the PRSP, STDIP and Sharesave (SAYE).

Name of Director[c]	Scheme	Number of shares at 24 September 2016	Granted during the period	Date of grant	Lapsed during the period	Exercised during the period	Number of shares at 30 September 2017	Date from which exercisable	Expiry date
Phil Urban	PRSP 2015-17[ac]	61,738[b]	–	Jan 2015	–	–	61,738	Nov 2017	Nov 2019
	PRSP 2016-18[a]	381,022	–	Jun 2016	–	–	381,022	Nov 2018	Nov 2020
	PRSP 2017-19[a]	–	397,970	Nov 2016	–	–	397,970	Nov 2019	Nov 2021
	SAYE 2015	4,972		Jun 2015	–	–	4,972	Oct 2018	Mar 2019
	Total	**447,732**	**397,970**				**845,702**		
Tim Jones	PRSP 2014-16[a]	144,162	–	Nov 2013	144,162	–	–	Nov 2016	Nov 2018
	PRSP 2015-17[ac]	161,856	–	Nov 2014	–	–	161,856	Nov 2017	Nov 2019
	PRSP 2016-18[a]	223,048	–	Jun 2016	–	–	223,048	Nov 2018	Nov 2020
	PRSP 2017-19[a]	–	232,968	Nov 2016	–	–	232,968	Nov 2019	Nov 2021
	SAYE 2014	2,743	–	Jun 2014	–	2,743	–	Oct 2017	Mar 2018
	SAYE 2015	2,486	–	Jun 2015	–	–	2,486	Oct 2018	Mar 2019
	Total	**534,295**	**232,968**		**144,162**	**2,743**	**620,358**		

a. 50% of the PRSP award is subject to a TSR condition and the other 50% is subject to adjusted EPS growth targets.
b. Shares awarded to Phil Urban on joining the Company as Chief Operating Officer in January 2015.
c. The 2015-17 plan will lapse in November 2017.

Update on forecast performance of other PRSP awards

2016-2018 PRSP

Based on current earnings forecasts and TSR performance to the end of FY 2017, the Committee does not anticipate that there will be any vesting at the end of the 2018 financial year.

2017-2019 PRSP

With two performance years remaining, the position could change but specifically in relation to the EPS measure, the significant additional cost challenges and a more detailed assessment of the timing and impact of investment, result in a forecast level of vesting below the threshold level.

Directors' interests

Executive Directors are expected to hold Mitchells & Butlers shares in line with the shareholding guideline set out in the Remuneration Policy report.

The proposed remuneration policy has a share ownership guideline that requires the Chief Executive to accumulate Mitchells & Butlers shares to the value of a minimum of 200% of salary (150% of salary for other Executive Directors) through the retention of shares arising from share schemes (on a net of tax basis) or through market purchases. Phil Urban's shareholding at 30 September 2017 was 24.9% of his basic annual salary and Tim Jones's shareholding was 45.2% of his basic annual salary.

The interests of the Directors in the ordinary shares of the Company as at 30 September 2017 and at 24 September 2016 are as set out below:

	Wholly owned shares without performance conditions[a]		Shares with performance conditions		Unvested options/ awards without performance conditions[b]		Unvested options/ awards with performance conditions[c]		Vested but unexercised options		Total shares/options	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Executive Directors												
Phil Urban	**53,042**	31,306	**–**	–	**4,972**	4,972	**840,730**	442,760	**–**	–	**898,744**	479,038
Tim Jones	**80,461**	76,518	**–**	–	**2,486**	5,229	**617,872**	529,066	**–**	–	**700,819**	610,813
Non-Executive Directors												
Bob Ivell	**12,006**	12,006	**–**	–	**–**	–	**–**	–	**–**	–	**12,006**	12,006
Ron Robson	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Stewart Gilliland	**11,000**	11,000	**–**	–	**–**	–	**–**	–	**–**	–	**11,000**	11,000
Eddie Irwin	**30,974**	30,000	**–**	–	**–**	–	**–**	–	**–**	–	**30,974**	30,000
Colin Rutherford	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Imelda Walsh	**7,500**	7,500	**–**	–	**–**	–	**–**	–	**–**	–	**7,500**	7,500
Dave Coplin	**2,000**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,000**	–
Josh Levy	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Keith Browne	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total	**196,983**	168,330	**–**	–	**7,458**	10,201	**1,458,602**	971,826	**–**	–	**1,663,043**	1,150,357

a. Includes Free Shares and Partnership Shares granted under the SIP.
b. Options granted under the Sharesave as detailed in the table on page 82 and deferred bonus awards granted under the STDIP.
c. Options granted under the PRSP as detailed in the table on page 82.

Directors' shareholdings (shares without performance conditions) include shares held by persons closely associated.

The above shareholdings are beneficial interests and are inclusive of Directors' holdings under the Share Incentive Plan (both Free Share and Partnership Share elements).

Tim Jones acquired 110 shares under the Partnership Share element of the Share Incentive Plan between the end of the financial year and 22 November 2017. There have been no changes in the holdings of any other Directors since the end of the financial year.

None of the Directors has a beneficial interest in the shares of any subsidiary or in debenture stocks of the Company or any subsidiary.

The market price per share on 30 September 2017 was 252.0p and the range during the year to 30 September 2017 was 221.0p to 287.8p per share.

The Executive Directors as a group beneficially own 0.03% of the Company's shares.

Fees for external directorships

No external Non-Executive directorships were held by either Executive Director during the year to 30 September 2017.

Payment for loss of office

No payments for loss of office were made in the year ending 30 September 2017.

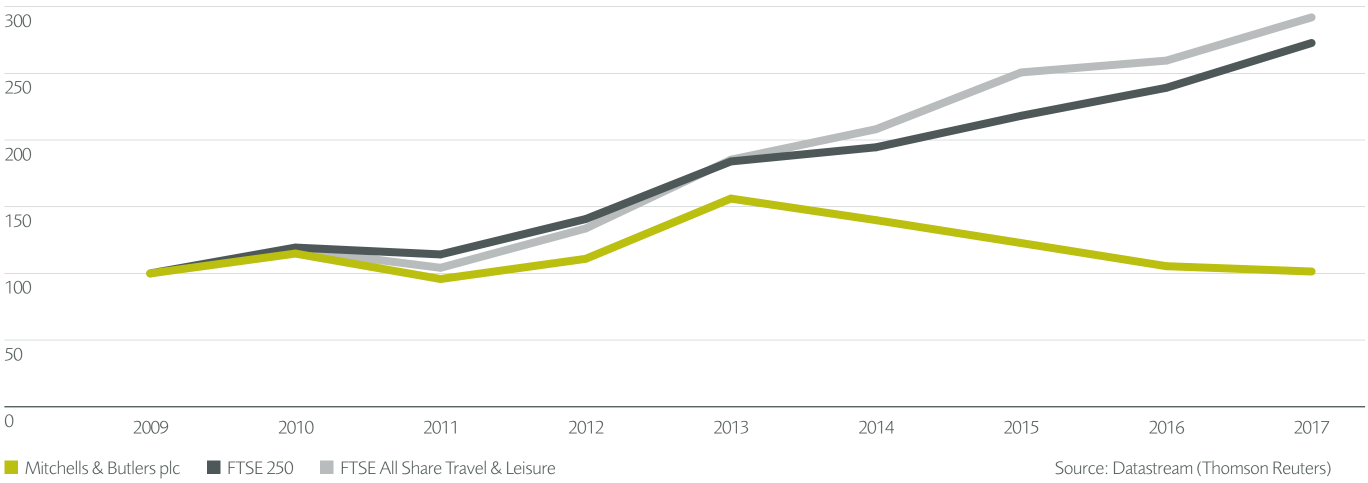
Payments to past Directors

No payments were made to any past Directors in the year ending 30 September 2017.

TSR performance graph

The Company's TSR performance for the last eight financial years is shown below against the FTSE 250 index and the FTSE All Share Travel & Leisure index. The FTSE 250 index has been chosen to show TSR performance as the Company is a member of the FTSE 250. The FTSE All Share Travel & Leisure index is shown as this is the TSR comparator group used for the long-term incentive plan.

Total shareholder return from September 2009 to September 2017 (rebased to 100)



Source: Datastream (Thomson Reuters)

This graph shows the value, by 30 September 2017, of £100 invested in Mitchells & Butlers plc on 26 September 2009, compared with the value of £100 invested in the FTSE 250 and FTSE All Share Travel & Leisure Indices on the same date.

CEO earnings history

Year ended	25/09/10	24/09/11	29/09/12	28/09/13	27/09/14	26/09/15	24/09/16	**30/09/17**
Phil Urban								
Single figure remuneration (£000)	–	–	–	–	–	–	613	**770**
Annual bonus outcome (% of max)	–	–	–	–	–	–	–	**28**
LTIP vesting outcome (% of max)	–	–	–	–	–	–	–	**–**
Alistair Darby								**–**
Single figure remuneration (£000)	–	–	–	982[a]	642	878	–	**–**
Annual bonus outcome (% of max)	–	–	–	71.0	–	–	–	**–**
LTIP vesting outcome (% of max)	–	–	–	n/a	n/a	19.0	–	**–**
Bob Ivell								**–**
Single figure remuneration (£000)	–	–	557	69[b]	–	–	–	**–**
Annual bonus outcome (% of max)	–	–	n/a[c]	n/a[c]	–	–	–	**–**
LTIP vesting outcome (% of max)	–	–	n/a[c]	n/a[c]	–	–	–	**–**
Jeremy Blood								**–**
Single figure remuneration (£000)	–	397	50	–	–	–	–	**–**
Annual bonus outcome (% of max)	–	–[d]	n/a[c]	–	–	–	–	**–**
LTIP vesting outcome (% of max)	–	n/a[c]	–	–	–	–	–	**–**
Adam Fowle								**–**
Single figure remuneration (£000)	1,315	483[e]	–	–	–	–	–	**–**
Annual bonus outcome (% of max)	87.6	16.0	–	–	–	–	–	**–**
LTIP vesting outcome (% of max)	16.2	24.2	–	–	–	–	–	**–**

a. Alistair Darby formally took up the position of CEO on 12 November 2012 following a short period of induction and handover. The figure shown reflects the date of his appointment to the Board (8 October 2012).
b. Figure shown is up to and including 11 November 2012 as Bob Ivell remained Executive Chairman to this date.
c. The Director was not a participant in the plan.
d. Jeremy Blood was not a participant in the short-term incentive plan; at the discretion of the Board a payment of £100,000 was made in respect of his contribution as Interim Chief Executive. This payment is included in the single remuneration figure (£397,000) above. Earnings exclude the fee payable for the period 26 September 2010 to 14 March 2011 during which Mr Blood served as a Non-Executive Director.
e. Earnings disclosed are to 15 March 2011 when Mr Fowle stepped down as CEO.

Change in remuneration of the CEO

	Salary (£)			Taxable benefits (£)			Bonus (£)		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
CEO	**510,000**	510,000	0	**15,134**	15,098	0.2	**145,546**	–	–
Salaried employees	**31,572**	31,763	-0.6	**704**	725	-2.9	**2,739**	2,525	8.5

The change in CEO remuneration is compared to the change in average remuneration of all full time salaried employees, which includes house managers, assistant managers and kitchen managers employed in our businesses.

Salaried employees with part-year service in either FY 2016 or FY 2017 have been excluded from the comparison figures. Retail staff employees have been excluded from the comparator group as they are hourly paid, largely part time and do not participate in any bonus plans. The CEO figures do not include LTIP awards or pension benefits that are disclosed in the single figure table.

CEO pay ratios

Last year the Committee decided to include the pay ratio between the CEO and the median pay of other employees, reflecting emerging best practice. Since then the Government has responded to its consultation on corporate governance and will seek to introduce secondary legislation that will require quoted companies to publish the ratio of their CEO's pay to that of the workforce. The Committee awaits the Government's precise method of calculation.

However, given our decision to publish a ratio last year and using the same approach, based on the CEO single figure set out on page 79, the ratio of pay to the median of all other employees is 1:63 (2016 1:44). The increase in the ratio between the pay of the CEO and other employees largely reflects the annual bonus payable to the CEO in 2017; in 2016 no bonus was paid.

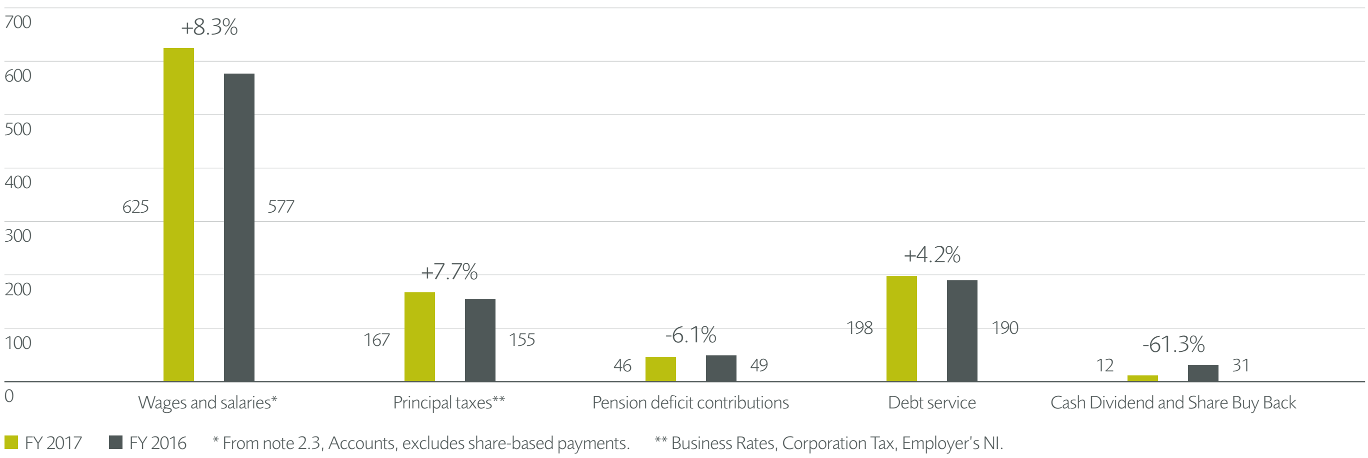
Although wages and salaries have increased for all employee groups, overall earnings have fallen, as a result of fewer hours being worked on average each week, as the Company improves scheduling efficiency across all sites. In assessing our pay ratio versus likely ratios from industry peers, we believe that we are towards the lower end of the range but note that annual and long-term incentive payments have varied considerably amongst this group. In our case, the CEO single figure comprises fixed pay and bonus only given that no long-term incentive vested in respect of performance ending in FY 2017. We also recognise that ratios will be influenced by levels of employee pay, and in the hospitality sector, despite significant increases over the past year, employee pay will be lower than in many other sectors of the economy.

Employee pay includes base salary, incentive payments, employer's pension contributions and benefits. Employees with part-year service have been excluded from the comparison figures. Employee pay does not include earnings from tips and service charge, from which many employees benefit. It is Mitchells and Butlers policy to pass all earnings from tips and service charge on to employees in full.

In addition to the elements of pay included in the above pay ratio calculation the Company also invests in employees in other ways. Our employees are fundamental to the delivery of great guest experiences and therefore a truly engaged workforce is important. For over a decade, Mitchells and Butlers has sought the views of employees though our annual 'Your Say' employee engagement survey. What this survey consistently tells us is that whilst pay is a very important element of the overall employee proposition, there are other factors that are also important to our employees. The opportunity to learn and develop is one of these and the Company has invested heavily in this area in the past year. Over 1,250 employees are now undertaking an apprenticeship with us, over a number of programmes, from guest service to culinary skills through to management. Underpinning all of our learning and development activity is the new learning system introduced during the year, which provides an innovative and interactive way for employees to learn and develop, both on job and on-line, in a way that is convenient and flexible.

Another important factor is employee recognition, which can take many forms, and the Company supports employees in a number of ways, such as our recognition programme which allows managers to reward great performance in the moment and also service milestones, from one year of service upwards. In addition, all employees can benefit from a generous employee discount and become shareholders through our Share Incentive Plans.

Relative importance of spend on pay £m



* From note 2.3, Accounts, excludes share-based payments. ** Business Rates, Corporation Tax, Employer's NI.

Figures shown for wages and salaries consist of all earnings, including bonus. In FY 2017, £2m (0.3%) was paid to Executive and Non-Executive Directors (2016 £2.1m (0.36%)).

The increase in wages and salaries is primarily a result of NMW and NLW.

Details of service contracts and letters of appointment

Details of the service contracts of Executive Directors are set out below.

Director	Contract start date	Unexpired term	Notice period from Company	Minimum notice period from Director	Compensation on change of control
Phil Urban[a]	27/09/15	Indefinite	12 months	6 months	No
Tim Jones	18/10/10	Indefinite	12 months	6 months	No

a. Phil Urban became Chief Executive and joined the Board on 27 September 2015. His continuous service date started on 5 January 2015, the date on which he joined the Company as Chief Operating Officer.

Non-Executive Directors

Non-Executive Directors, including the Company Chairman, do not have service contracts but serve under letters of appointment which provide that they are initially appointed until the next AGM when they are required to stand for election. In line with the Company's Articles, all Directors, including Non-Executive Directors, will stand for re-election at the 2018 AGM. This is also in line with the recommendations set out in paragraph B.7.1 of the Code. Non-Executive Directors' appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination.

Ron Robson and Josh Levy were appointed to the Board pursuant to the terms of the Piedmont Deed of Appointment, information on which is set out on page 49.

Copies of both the individual letters of appointment for Non-Executive Directors, and the service contracts for Executive Directors are available at the Registered Office of the Company during normal business hours and on our website. Copies will also be available to shareholders to view at the 2018 AGM.

Implementation of Remuneration Policy in FY 2018

Executive Directors' salary review

No salary increase will apply for any Executive Director. Phil Urban's salary will remain at £510,000 and Tim Jones' at £426,500. Phil Urban's salary has not increased since his appointment in September 2015 and Tim Jones' salary was last increased in January 2015.

Annual performance bonus

The maximum bonus opportunity will be 100% of salary for the Chief Executive and Finance Director with 70% of bonus to be based on Operating Profit and the remaining 30% on non-profit elements linked to the business scorecard.

	Weighting	Details
Operating Profit	70%	Bonus will begin to accrue at threshold with half of the bonus payable for on-target performance, reflecting the demanding nature of the targets set by the Committee. Full payment would require very strong performance, well in excess of current market consensus.
Guest Health	15%	Guest Health will comprise three measures, each with an equal weighting: • **NPS** – a well-established measure of Guest Health, will continue to be assessed in FY 2018. • **Social media** – The social media monitoring tool, introduced in 2017 enables all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score. • **Guest complaints** – There has been an increased focus on improving the speed at which guest complaints are resolved, alongside a commitment to reducing the overall number of complaints received. Therefore, an assessment of guest complaints will be included in assessing Guest Health. Combining NPS with an assessment of social media reviews and guest complaints provides a more holistic review of Guest Health. To achieve a maximum payment, performance will need to exceed target on at least two elements, and be at target or better, for the third element.
Employee engagement	10%	Mitchells & Butlers has measured employee engagement for a number of years, and a clear correlation has been established between employee engagement and guest satisfaction, which in turn has a positive impact on sales. For this reason, the Committee has decided to include employee engagement in the bonus scheme.
Safety	5%	Food safety will always be a key priority and including a measure based on the proportion of our businesses that achieve a high National Food Hygiene Rating reflects our continued focus on the safe operation of our businesses. An agreed food safety score must be achieved for this part of the bonus to pay out and, as an additional check, overall workplace safety will also be taken into account when determining the outcome.

The non-profit elements will only become payable if a certain level of Operating Profit has been achieved. For 2018, this has been increased to 97.5% of target which is ahead of the threshold required for payment under the Operating Profit measure.

More broadly, the Committee will continue to consider the overall performance of the Company, not just the outcome of each individual measure. All bonus targets are considered to be commercially sensitive and will not be disclosed in advance. However, retrospective disclosure of targets and performance against them will be provided in next year's Directors' remuneration report.

The bonus structure for all Managers across Mitchells & Butlers is linked to the above business scorecard.

Performance Restricted Share Plan (PRSP)

PRSP awards with a face value of 200% and 140% of base salary will be made to the Chief Executive and Finance Director respectively. The measures and targets for the award to be made for the 2018-20 cycle are still being determined as set out in the Chair's statement at the beginning of this report. Measures and targets will be subject to consultation with major shareholders and will be disclosed in full at the time of grant.

Reflecting good practice in this area, a two-year post-vesting holding period will be introduced for the PRSP awards to be made in 2018 and for all future long-term incentive awards, thereby strengthening alignment between executives and shareholders.

Share ownership guideline

The guideline has been increased to 200% of salary for the Chief Executive and 150% of salary for the Finance Director. Consistent with the previous policy, Directors will be required to retain all vested shares (net of tax) until the share ownership guideline is met.

Non-Executive Directors' fee review

There will be no change to the Chairman and Non-Executive Director fee levels in 2018.

Imelda Walsh
Chair of the Remuneration Committee
22 November 2017

FINANCIAL STATEMENTS

In this section

Independent auditor's report to the members of Mitchells & Butlers plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2017 and of the Group's profit for the 53 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Mitchells & Butlers plc (the 'Company') and its subsidiaries (the 'Group') which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Company balance sheets;
- the Group and Company statements of changes in equity;
- the Group cash flow statement;
- the related notes 1 to 5 of Group financial statements; and
- the related notes 1 to 10 of the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of the pub estate; and • Onerous lease provisions. With the exception of extending the Onerous lease provisions key audit matter to include the fact that the charge for the year is included as a separately disclosed item, there have been no changes in the key audit matters included in our audit report since 2016. This is consistent with the fact that the operations of the Group are largely unchanged from the previous year.
Materiality	The materiality that we used in the current year was £8.8m which is approximately 5% of profit before tax before separately disclosed items.
Scoping	A full scope audit has been performed in respect of the UK business, consistent with 2016.
Significant changes in our approach	In 2016, we adopted an audit approach which tested the operating effectiveness of controls relating to revenue and food and drink expenditure. In 2017, we have tested the operating effectiveness of controls relating to revenue, food and drink expenditure and, in addition, property, plant and equipment.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within Section 1 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Strategic report on page 40.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 36 to 40 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 37 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in Section 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group and the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the Directors' explanation on page 40 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Valuation of the pub estate		
As set out in section 3.1 the value of the estate is £4,429m (2016 £4,423m). **Freehold and long leasehold** The accounting policy adopted and judgements used are described in section 3.1 to the financial statements. This is considered to be a key audit matter due to the judgements inherent within the valuation exercise and the range of acceptable judgements. The total net book value of revalued properties as at 30 September 2017 is £4,230m (2016 £4,217m). The revaluation exercise performed in the year has resulted in a net increase of £23m versus carrying value (2016 £136m), which includes an impairment charge of £51m (2016 £80m) recognised in the income statement. The Group's accounting policy sets out that the market value is determined using factors such as estimated fair maintainable trading levels and estimated multiples which are derived for each of the Group's trading brands. 20% of the freehold and long leasehold estate has been inspected by the Group's external valuers, with the result of the inspection informing the brand standard multiples which are then extrapolated across the remainder of the estate. In specific circumstances where this approach does not fairly represent the underlying value of the property, for example if a site is loss making, a spot valuation is applied. Where sites have been impacted by expansionary capital investment in the preceding 12 months, the valuation of those properties is held at the 24 September 2016 valuation plus capital expenditure less depreciation in 2017. Sites that have been open for more than three periods (2016 six periods) are reviewed for impairment. **Short leasehold** The accounting policy adopted and judgements used are described in section 3.1 to the financial statements. The total value of short leasehold properties as at 30 September 2017 is £170m (2016 £177m). Judgements in relation to expected trading levels, whether the site has the potential to be turned around and discount rates are applied when calculating short leasehold property impairments. The Group recorded an impairment charge of £17m (2016 £8m) in the year.	We worked with our property valuation specialists and management's external advisors to challenge the methodology and underlying assumptions used in the freehold and long leasehold pub estate valuation. This included: • discussing and challenging the appropriateness of the valuation methodology adopted with management's external advisors; • benchmarking valuations to transaction activity in the licensed retail property market, in order to confirm whether the multiples being proposed were appropriate; • confirming that the sites inspected by the Group's valuer were representative of the pub estate as a whole, in terms of brand and geography, to determine that the application of the multiple derived from the valuation of the inspected properties to the rest of the pub estate was appropriate; • confirming that the fair maintainable trading levels used in the revaluation exercise were consistent with the Group's policy and challenging the use of historical trading results rather than forecasts in the determination of fair maintainable trade; • reviewing the future projected income used in the impairment reviews for the sites which have had expansionary capital investment in the preceding 12 months; • obtaining evidence to support the valuation of a sample of properties to which a spot valuation has been applied, for example, through comparison to sales proceeds achieved for similar recent sales transactions. In addition, we performed a retrospective review of prior year sites which were spot valued; • testing the integrity of the data used in the valuations by agreeing a sample to source data; • using analytical tools to test the integrity of the revaluation model; and • assessing the competence, independence and integrity of management's external advisers. Additionally we: • assessed the design and implementation and tested the operating effectiveness of controls in relation to the valuation of the freehold and long leasehold estate.	We are in agreement with the methodology chosen and the assumptions adopted to revalue the pub estate and conclude there appears to be no bias in the valuation. The multiples adopted across the estate are within a reasonable range. We concur that the valuations are suitable for inclusion in the financial statements.

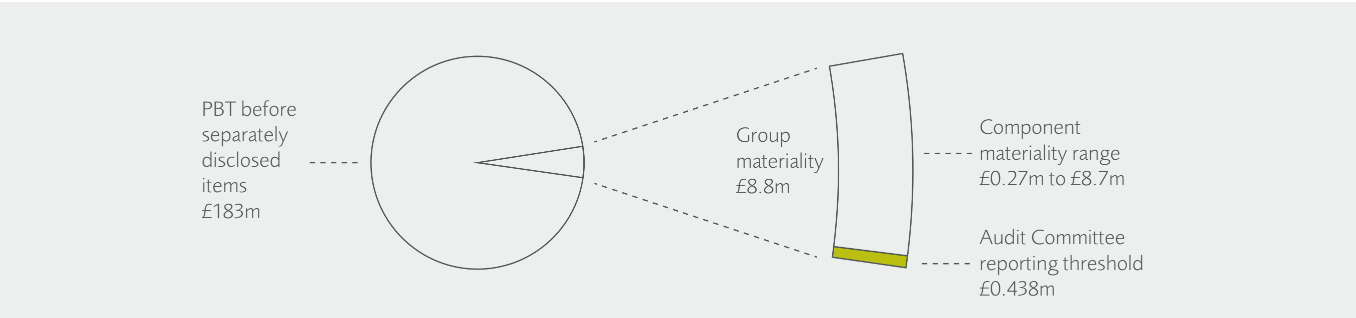
Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Valuation of the pub estate continued		
Focus areas Given the amounts capitalised and the risk associated across the freehold, long leasehold and short leasehold sites we have focused our procedures on the assessment made by management of: • the appropriateness of the fair maintainable trading levels and brand multiple assumptions applied to the freehold and long leasehold estate on a site by site basis; • the valuation of freehold and long leasehold sites impacted by expansionary capital, challenging the need for any impairment of property, plant and equipment required at an individual outlet level; and • the requirement for any impairment in respect of the property, plant and equipment held in the short leasehold estate at an individual outlet level. In addition, due to the level of subjective judgements involved in respect of multiple and fair maintainable trade assumptions which are inherently uncertain, we have identified a potential risk of fraud in this key audit matter.	We challenged the assumptions used by management within the impairment reviews performed for the short leasehold estate and freehold and long leasehold sites impacted by expansionary capital. This included: • obtaining evidence to support management's assertion that short leasehold properties can be successfully turned around where properties have not been impaired due to management's expectation that the performance of the properties will improve. This included obtaining evidence to support management's turnaround plans and performance of a retrospective review considering the success of historic turnaround plans; • obtaining evidence to support management's expected performance of sites post investment of expansionary capital and a retrospective review of prior year sites where expansionary capital was incurred; • testing the integrity of the information used within the model by agreeing inputs back to source data including historical results and lease terms; and • assessing the appropriateness of the discount rate through recalculation and performing sensitivity analysis. Additionally, we assessed the design and implementation and tested the operating effectiveness of controls in relation to the short leasehold impairment review.	
Onerous lease provisions		
As set out in section 3.3, property provisions are £42.4m (2016 £9.3m) of which £41.9m (2016 £8.8m) relates to onerous lease provisions. The accounting policy for provisions is set out in section 3.3. £35m (2016 £nil) of the property provisions provided in the period have been included as a separately disclosed item in the income statement. Loss-making short leasehold properties are reviewed by management to determine whether an onerous lease provision is required. Judgements in relation to expected trading levels, the appropriate lease term over which to provide, the potential opportunity to exit the leases early and the appropriate discount rate to use are applied when assessing the level of onerous lease provision required. Therefore we have identified a potential risk of fraud in this key audit matter. **Focus areas** Given the size of the leasehold estate there is a risk that where a site is underperforming the cash flows may not be adequate to cover future lease obligations, resulting in the requirement for an onerous lease provision for the unavoidable cash flow. We focused on the completeness of the onerous lease provision both in terms of the sites where a provision has not been recognised on the basis that management have a turnaround plan in place or opportunity to exit and where there is a provision, the judgements used in arriving at the level of the provision for each site. In addition and in a change to prior years we focused on the presentation of part of the charge in the year as a separately disclosed item.	• We assessed the appropriateness of the classification of the £35m of property provisions provided in the period as a separately disclosed item in accordance with IAS 1 Presentation of Financial Statements; • We checked that all leasehold sites were considered in management's process to identify sites which were potentially subject to onerous leases; • Where onerous lease provisions have not been recognised, despite historical results indicating that a provision may be required, we obtained evidence to support management's assertion that properties can be successfully turned around. This included assessing the success of previous actions undertaken by management to turnaround similar sites; • We tested a sample of loss-making short leasehold and unlicensed properties to create an expectation of the appropriate level of onerous lease provision for each property within our sample and compared our expectation with the level of onerous lease provision for each property; • We tested the integrity of the information used within the onerous lease provision calculation by agreeing inputs back to source data including historical results, and rental commitments; and • We assessed the appropriateness of the risk-free discount rate used through comparison to appropriate external benchmarks. Additionally, we assessed the design and implementation and tested the operating effectiveness of controls in relation to the calculation of the onerous lease provision.	We agree that the level of onerous lease provision is appropriate and that the classification of the £35m of property provisions provided in the period as separately disclosed is reasonable in accordance with IAS 1 Presentation of Financial Statements. In arriving at £41.9m of onerous lease provisions, management have had to make a number of judgements regarding the performance of the sites and the period to exit. In considering the judgements made, we consider that the provision is within a reasonable range.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£8.8m (2016 £8.7m)
Basis for determining materiality	Approximately 5% (2016 5%) of profit before tax adjusted for net profit arising on property disposals, movements in the valuation of the property portfolio and short leasehold impairment and the separately disclosed onerous lease provision charge (2016 profit before tax after the onerous lease provision charge but before separately disclosed items).
Rationale for the benchmark applied	Profit before tax before separately disclosed items is a key measure used by the Group in reporting its results to allow a better understanding of the adjusted trading of the Group and is also a key measure considered by analysts.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £437,500 (2016 £435,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we performed a full scope audit in respect of the UK retail operating business and the UK property business together accounting for 99% (2016 99%) of the Group's total assets, 97% (2016 97%) of revenue and 98% (2016 98%) of operating profit. This audit work was performed directly by the Group audit engagement team, who also tested the consolidation process. Given the relative size of the German business ('ALEX') we consider the UK business provides sufficient audit assurance over the Group balances. This approach is consistent with 2016.

In responding to the assessed risks of material misstatement, the audit engagement team sought to place reliance on the operating effectiveness of the Group's controls in relation to revenue, food and drink expenditure and property, plant and equipment.

Our audit work on the UK business was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.27m to £8.7m (2016 £0.25m to £8.68m).

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and or the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 10 February 2011 to audit the financial statements for the year ending 24 September 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 24 September 2011 to 30 September 2017.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

John Charlton FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

22 November 2017

Group income statement
For the 53 weeks ended 30 September 2017

		2017 53 weeks			2016 52 weeks		
	Notes	Before separately disclosed items £m	Separately disclosed items[a] £m	Total £m	Before separately disclosed items £m	Separately disclosed items[a] £m	Total £m
Revenue	2.1, 2.3	**2,180**	**–**	**2,180**	2,086	–	2,086
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	2.2, 2.3	**(1,751)**	**(35)**	**(1,786)**	(1,655)	–	(1,655)
Net profit arising on property disposals	2.2, 2.3	**–**	**1**	**1**	–	1	1
EBITDA[b]		**429**	**(34)**	**395**	431	1	432
Depreciation, amortisation and movements in the valuation of the property portfolio	2.2, 2.3	**(115)**	**(72)**	**(187)**	(113)	(88)	(201)
Operating profit/(loss)	2.1	**314**	**(106)**	**208**	318	(87)	231
Finance costs	4.3	**(125)**	**–**	**(125)**	(126)	–	(126)
Finance revenue	4.3	**1**	**–**	**1**	1	–	1
Net pensions finance charge	4.3, 4.5	**(7)**	**–**	**(7)**	(12)	–	(12)
Profit/(loss) before tax		**183**	**(106)**	**77**	181	(87)	94
Tax (expense)/credit	2.2, 2.4	**(37)**	**23**	**(14)**	(37)	32	(5)
Profit/(loss) for the period		**146**	**(83)**	**63**	144	(55)	89
Earnings per ordinary share							
– Basic	2.5	**34.9p**		**15.1p**	34.9p		21.6p
– Diluted	2.5	**34.8p**		**15.0p**	34.9p		21.6p

a. Separately disclosed items are explained and analysed in note 2.2.
b. Earnings before interest, tax, depreciation, amortisation and movements in the valuation of the property portfolio.

The notes on pages 101 to 134 form an integral part of these financial statements.

All results relate to continuing operations.

Group statement of comprehensive income
For the 53 weeks ended 30 September 2017

	Notes	**2017 53 weeks £m**	2016 52 weeks £m
Profit for the period		**63**	89
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of the property portfolio	3.1	**74**	216
Remeasurement of pension liability	4.5	**8**	(22)
Tax relating to items not reclassified	2.4	**(13)**	(21)
		69	173
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1**	3
Cash flow hedges:			
– Gains/(losses) arising during the period	4.4	**60**	(116)
– Reclassification adjustments for items included in profit or loss	4.4	**53**	8
Tax relating to items that may be reclassified	2.4	**(19)**	10
		95	(95)
Other comprehensive income after tax		**164**	78
Total comprehensive income for the period		**227**	167

The notes on pages 101 to 134 form an integral part of these financial statements.

Group balance sheet
30 September 2017

	Notes	2017 £m	2016 £m
Assets			
Goodwill and other intangible assets	3.4	**10**	9
Property, plant and equipment	3.1	**4,429**	4,423
Lease premiums		**1**	2
Deferred tax asset	2.4	**110**	143
Derivative financial instruments	4.4	**41**	52
Total non-current assets		**4,591**	4,629
Inventories	3.2	**24**	25
Trade and other receivables	3.2	**53**	32
Other cash deposits	4.1	**120**	120
Cash and cash equivalents	4.1	**147**	158
Derivative financial instruments	4.4	**2**	1
Assets held for sale	3.1	**1**	–
Total current assets		**347**	336
Total assets		**4,938**	4,965
Liabilities			
Pension liabilities	4.5	**(47)**	(46)
Trade and other payables	3.2	**(297)**	(293)
Current tax liabilities		**(3)**	(12)
Borrowings	4.2	**(235)**	(253)
Derivative financial instruments	4.4	**(43)**	(44)
Total current liabilities		**(625)**	(648)
Pension liabilities	4.5	**(245)**	(291)
Borrowings	4.2	**(1,827)**	(1,920)
Derivative financial instruments	4.4	**(249)**	(360)
Deferred tax liabilities	2.4	**(324)**	(329)
Provisions	3.3	**(42)**	(9)
Total non-current liabilities		**(2,687)**	(2,909)
Total liabilities		**(3,312)**	(3,557)
Net assets		**1,626**	1,408
Equity			
Called up share capital	4.7	**36**	35
Share premium account	4.7	**26**	27
Capital redemption reserve	4.7	**3**	3
Revaluation reserve	4.7	**1,202**	1,142
Own shares held	4.7	**(1)**	(1)
Hedging reserve	4.7	**(244)**	(338)
Translation reserve	4.7	**14**	13
Retained earnings		**590**	527
Total equity		**1,626**	1,408

The notes on pages 101 to 134 form an integral part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 22 November 2017.

They were signed on its behalf by:

Tim Jones
Finance Director

Group statement of changes in equity

For the 53 weeks ended 30 September 2017

	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 2015	35	26	3	938	(1)	(240)	10	500	1,271
Profit for the period	–	–	–	–	–	–	–	89	89
Other comprehensive income/(expense)	–	–	–	204	–	(98)	3	(31)	78
Total comprehensive income/(expense)	–	–	–	204	–	(98)	3	58	167
Share capital issued	–	1	–	–	–	–	–	–	1
Purchase of own shares	–	–	–	–	(1)	–	–	–	(1)
Release of own shares	–	–	–	–	1	–	–	(1)	–
Credit in respect of share-based payments	–	–	–	–	–	–	–	2	2
Dividends paid	–	–	–	–	–	–	–	(31)	(31)
Tax on share-based payments taken directly to equity	–	–	–	–	–	–	–	(1)	(1)
At 24 September 2016	35	27	3	1,142	(1)	(338)	13	527	1,408
Profit for the period	–	–	–	–	–	–	–	63	63
Other comprehensive income	–	–	–	61	–	94	1	8	164
Total comprehensive income	–	–	–	61	–	94	1	71	227
Credit in respect of share-based payments	–	–	–	–	–	–	–	2	2
Dividends paid	–	–	–	–	–	–	–	(12)	(12)
Revaluation reserve realised on disposal of properties	–	–	–	(1)	–	–	–	1	–
Scrip dividend related share issue	1	(1)	–	–	–	–	–	–	–
Tax on share-based payments taken directly to equity	–	–	–	–	–	–	–	1	1
At 30 September 2017	**36**	**26**	**3**	**1,202**	**(1)**	**(244)**	**14**	**590**	**1,626**

Group cash flow statement
For the 53 weeks ended 30 September 2017

	Notes	2017 53 weeks £m	2016 52 weeks £m
Cash flow from operations			
Operating profit		**208**	231
Add back: adjusted items	2.2	**106**	87
Operating profit before adjusted items		**314**	318
Add back:			
Depreciation of property, plant and equipment	2.3	**113**	111
Amortisation of intangibles	2.3	**2**	2
Cost charged in respect of share-based payments	4.6	**2**	2
Administrative pension costs	4.5	**2**	2
Operating cash flow before adjusted items, movements in working capital and additional pension contributions		**433**	435
Decrease/(increase) in inventories		**1**	(1)
Increase in trade and other receivables		**(20)**	(4)
Increase/(decrease) in trade and other payables		**7**	(5)
Decrease in provisions		**(2)**	(1)
Additional pension contributions	4.5	**(46)**	(49)
Cash flow from operations before adjusted items		**373**	375
Interest paid		**(122)**	(126)
Interest received		**1**	1
Tax paid		**(26)**	(28)
Net cash from operating activities		**226**	222
Investing activities			
Purchases of property, plant and equipment		**(166)**	(166)
Purchases of intangible assets		**(3)**	(1)
Proceeds from sale of property, plant and equipment		**46**	5
Net cash used in investing activities		**(123)**	(162)
Financing activities			
Issue of ordinary share capital		**–**	1
Purchase of own shares		**–**	(1)
Dividends paid (net of scrip dividend)	4.7	**(12)**	(31)
Repayment of principal in respect of securitised debt	4.2	**(77)**	(67)
Net movement on unsecured revolving credit facilities	4.1	**(25)**	31
Net cash used in financing activities		**(114)**	(67)
Net decrease in cash and cash equivalents		**(11)**	(7)
Cash and cash equivalents at the beginning of the period		**158**	163
Foreign exchange movements on cash		**–**	2
Cash and cash equivalents at the end of the period	4.1	**147**	158

The notes on pages 101 to 134 form an integral part of these financial statements.

Notes to the financial statements
Section 1 – Basis of preparation

General information
Mitchells & Butlers plc (the Company) is a public limited company limited by shares and is registered in England and Wales. The Company's shares are listed on the London Stock Exchange. The address of the Company's registered office is shown on page 143.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 2.1 and in the Strategic report on pages 1 to 43.

Mitchells & Butlers plc, along with its subsidiaries (together 'the Group'), is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with the Companies Act 2006.

The Group's accounting reference date is 30 September. The Group draws up its financial statements to the Saturday directly before or following the accounting reference date, as permitted by section 390 (3) of the Companies Act 2006. The period ended 30 September 2017 includes 53 trading weeks and the period ended 24 September 2016 includes 52 trading weeks.

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

The Group's accounting policies have been applied consistently.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Mitchells & Butlers plc ('the Company') and entities controlled by the Company (its subsidiaries). The financial statements of the subsidiaries are prepared for the same financial reporting period as the Company. Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

The results of subsidiaries acquired during the period are included in the consolidated income statement from the date of acquisition.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and Business review on pages 1 to 43. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described within the Business review.

In addition, note 4.4 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. As highlighted in note 4.2 to the financial statements, the Group's financing is based upon securitised debt.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities are measured at cost using the exchange rate on the date of the initial transaction.

The consolidated financial statements are presented in pounds sterling (rounded to the nearest million), being the functional currency of the primary economic environment in which the parent and most subsidiaries operate. On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at the relevant rates of exchange ruling at the balance sheet date. The results of overseas operations are translated into sterling at average rates of exchange for the period. Exchange differences arising from the translation of the results and the retranslation of opening net assets denominated in foreign currencies are taken directly to the Group's translation reserve. When an overseas operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The results of overseas operations have been translated into sterling at the weighted average euro rate of exchange for the period of £1 = €1.16 (2016 £1 = €1.28), where this is a reasonable approximation to the rate at the dates of the transactions. Euro and US dollar denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.13 (2016 £1 =€1.16) and £1 = $1.34 (2016 £1 = $1.30) respectively.

Recent accounting developments

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations which have been adopted by the Group in these financial statements for the first time:

Accounting standard	Requirement	Impact on financial statements
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.	As the Company is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity, the adoption of the amendments has had no impact on the Group's financial statements.
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	The Group has adopted the amendments for the first time in the current period. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles of accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.	The adoption of these amendments has had no impact on the Group's consolidated financial statements.
Amendments to IAS 1	The Group has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current period. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the aggregation and disaggregation of information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and performance. In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. The amendments also address the structure of the financial statements by providing examples of the systematic ordering or grouping of the notes.	The adoption of these amendments has not resulted in any impact on the financial performance or position of the Group.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	The Group has adopted the amendments for the first time in the current period. The amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: (a) When the intangible asset is expressed as a measure of revenue; or (b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.	As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, the adoption of these amendments has had no impact on the Group's consolidated financial statements.
Amendments to IAS 27 Equity Method in Separate Financial Statements	The Group has adopted the amendments for the first time in the current period. The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, associates and joint ventures in its separate financial statements: • at cost; • in accordance with IFRS 9; or • using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. The same accounting must be applied to each category of investments. The amendments also clarify that when a parent entity ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.	The adoption of the amendments has had no impact on the Company's separate financial statements as the Company accounts for investments in subsidiaries and associates at cost and is not an investment entity.

Accounting standard	Requirement	Impact on financial statements
Annual Improvements to IFRSs: 2012 to 2014 Cycle	The amendments to IFRS 5 Non-current Assets Held for Sale introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held for distribution accounting is discontinued.	The adoption of these amendments has had no impact on the Group's consolidated financial statements.
	The amendments to IFRS 7 Financial Instruments: Disclosures provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.	
	The amendments to IAS 19 Employee Benefits clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields on high-quality corporate bonds. The assessment of the depth of a market for high-quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high-quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.	The Group uses a discount rate that is determined with reference to market yields on high-quality corporate bonds to discount the defined benefit obligations. Further details are provided in note 4.5.

The IASB and IFRIC have issued the following standards and interpretations which could impact the Group, with an effective date for financial periods beginning on or after the dates disclosed below:

Accounting standard	Effective date
IAS 7 (amendments) Disclosure Initiative	1 January 2017 (subject to EU endorsement)
IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017 (subject to EU endorsement)
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions	1 January 2018 (subject to EU endorsement)

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods. Beyond this, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Accounting standard	Effective date
IFRS 16 Leases	1 January 2019 (subject to EU endorsement) The standard replaces IAS 17 Leases and requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset is of low value.

The above standard reflects a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Accounting requirements for lessors is substantially unchanged from IAS 17. As shown in note 2.3, the Group has lease commitments of £693m at 30 September 2017 across more than 300 leases of varying remaining length and age. The impact of the standard on the Group is currently being assessed and it is not yet practicable to quantify the effect of IFRS 16 on these consolidated financial statements. There is no impact on cash flow.

Critical accounting judgements and estimates

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 evaluated 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 policy section in each of the notes to the financial statements.

Critical judgements are described in each section listed below:

- Note 2.2 Separately disclosed items
- Note 3.1 Property, plant and equipment
- Note 3.3 Provisions
- Note 4.5 Pensions

Critical estimates are described in:

- Note 3.1 Property, plant and equipment

2.1 Segmental analysis

Accounting policies

Operating segments

IFRS 8 Operating Segments requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker (CODM). The CODM is regarded as the Chief Executive together with other Board members. The CODM uses EBITDA and profit before interest and adjusted items (operating profit pre-adjustments) as the key measures of the segment results. Group assets are reviewed as part of this process but are not presented on a segment basis.

The retail operating business operates all of the Group's retail operating units and generates all of its external revenue. The property business holds the Group's freehold and long leasehold property portfolio and derives all of its income from the internal rent levied against the Group's retail operating units. At a macro level, rent is set on a market-based measure with this being reviewed on a five yearly basis. The internal rent charge is eliminated at the total Group level.

Segmental information

	Retail operating business		Property business		Total	
	2017 53 weeks £m	2016 52 weeks £m	**2017 53 weeks £m**	2016 52 weeks £m	**2017 53 weeks £m**	2016 52 weeks £m
Revenue	**2,180**	2,086	**–**	–	**2,180**	2,086
EBITDA pre-adjustments	**213**	217	**216**[a]	214[a]	**429**	431
Operating profit pre-adjustments	**111**	117	**203**	201	**314**	318
Separately disclosed items (note 2.2)					**(106)**	(87)
Operating profit					**208**	231
Net finance costs					**(131)**	(137)
Profit before tax					**77**	94
Tax expense					**(14)**	(5)
Profit for the period					**63**	89

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

Geographical segments

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

	UK		Germany		Total	
	2017 53 weeks £m	2016 52 weeks £m	**2017 53 weeks £m**	2016 52 weeks £m	**2017 53 weeks £m**	2016 52 weeks £m
Revenue – sales to third parties	**2,100**	2,018	**80**	68	**2,180**	2,086
Segment non-current assets[a]	**4,430**	4,423	**10**	11	**4,440**	4,434

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

2.2 Separately disclosed items

Accounting policy

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. This adjusted information is disclosed to allow a better understanding of the adjusted trading performance of the Group and is consistent with the Group's internal management reporting.

Separately disclosed items are those which are separately identified by virtue of their size or incidence and include movements in the valuation of the property portfolio as a result of the annual revaluation exercise, impairment review of short leasehold and unlicensed properties, movements in the onerous lease provision, restructuring costs and effects of corporation tax rate change.

Critical accounting judgements

Judgement is used to determine those items which should be separately disclosed to allow a better understanding of the adjusted trading performance of the Group. 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 are identified as follows:

- Profit/(loss) arising on property disposals – property disposals are disclosed separately as they are not considered to be part of adjusted trade performance and there is volatility in the size of the profit/(loss) in each accounting period.
- Movement in the valuation of the property portfolio – this is disclosed separately, due to the size of the movement in property valuation each period. This movement is also not considered to be part of the adjusted trade performance of the Group.
- Onerous lease provision – this provision is calculated on a site by site basis, with the majority of the additions for the current period being disclosed separately. This increase is the result of a full review of estate strategy. In addition, the discount rate applied in calculating the provision has been changed in the current period. Due to the size of the resulting increase in the provision, this has been disclosed separately.
- Tax rate change – the change in tax rate is not part of normal trade and due to the size in any given period, this is disclosed separately.

The items identified in the current period are as follows:

	Notes	**2017 53 weeks £m**	2016 52 weeks £m
Adjusted items			
Net profit arising on property disposals		**1**	1
Movement in the valuation of the property portfolio (see note 3.1):			
– Impairment arising from the revaluation	a	**(51)**	(80)
– Impairment of short leasehold and unlicensed properties	b	**(17)**	(8)
– Impairment of assets held for sale	c	**(4)**	–
Net movement in the valuation of the property portfolio		**(72)**	(88)
Other adjusted items:			
Onerous lease provision additions	d	**(35)**	–
Total adjusted items before tax		**(106)**	(87)
Tax credit relating to above items		**23**	18
Tax credit in respect of change in tax legislation (note 2.4)	e	**–**	14
Total adjusted items after tax		**(83)**	(55)

a. Impairment arising from the Group's revaluation of its pub estate where their carrying values exceed their recoverable amount. See note 3.1 for further details.
b. Impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount. See note 3.1 for further details.
c. Impairment recognised on reclassification of property, plant and equipment to assets held for sale.
d. During the period, a review of estate strategy in relation to managed leasehold sites has been completed, with specific focus on the challenges around loss-making sites and those located on retail and leisure parks. The losses are now considered unavoidable for the remaining committed lease term. In addition, the discount rate applied in the calculation has been updated. As a result, the onerous lease provision has been increased significantly with the majority of this increase recognised as a separately disclosed item. See note 3.3 for further details.
e. The prior year deferred tax credit relates to the enactment of the Finance (No.2) Act 2015 on 18 November 2015 which reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. In addition, the Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020.

2.3 Revenue and operating costs

Accounting policies

Revenue recognition
Revenue is the fair value of goods and services sold to third parties as part of the Group's trading activities, after deducting sales-based taxes, coupons and discounts.

The majority of revenue comprises food and beverages sold in the Group's businesses. This revenue is recognised at the point of sale to the customer.

Operating profit
Operating profit is stated after charging adjusted items but before investment income and finance costs.

Supplier incentives
Supplier incentives and rebates are recognised within operating costs as they are earned. The accrued value at the reporting date is included in other receivables.

Operating leases – Group as lessee
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and sub-leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised as a liability and a subsequent reduction in the rental expense over the lease term on a straight-line basis.

Premiums paid on acquiring a new lease are spread on a straight-line basis over the lease term. Such premiums are classified in the balance sheet as current or non-current prepayments, with the current portion being the element which relates to the following period.

The Group's policy is to account for land held under both long and short leasehold contracts as operating leases, since it has no expectation that title will pass on expiry of the lease contracts.

Operating leases – Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Revenue is analysed as follows:

	2017 53 weeks £m	2016 52 weeks £m
Goods	**2,169**	2,075
Services	**11**	11
	2,180	2,086

Revenue from services includes rent receivable from unlicensed properties and leased operations.

Operating costs are analysed as follows:

	2017 53 weeks £m	2016 52 weeks £m
Raw materials and consumables recognised as an expense	**573**	552
Changes in inventory of finished goods and work in progress	**1**	(1)
Employee costs	**682**	626
Hire of plant and machinery	**24**	22
Property operating lease costs	**62**	58
Other costs	**409**	398
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	**1,751**	1,655
Depreciation of property, plant and equipment (note 3.1)	**113**	111
Amortisation of intangible assets (note 3.4)	**2**	2
Net movement in the valuation of the property portfolio (note 3.1)	**72**	88
Depreciation, amortisation and movements in the valuation of the property portfolio	**187**	201
Other adjusted items (note 2.2)	**35**	–
Net profit arising on property disposals	**(1)**	(1)
Total operating costs	**1,972**	1,855

Employee costs

	2017 53 weeks £m	2016 52 weeks £m
Wages and salaries	**625**	577
Share-based payments (note 4.6)	**2**	2
Total wages and salaries	**627**	579
Social security costs	**48**	40
Pensions (note 4.5)	**7**	7
Total employee costs	**682**	626

The average number of employees including part-time employees was 44,893 retail employees (2016 43,495) and 998 support employees (2016 980).

Information regarding key management personnel is included in note 5.1. Detailed information regarding Directors' emoluments, pensions, long-term incentive scheme entitlements and their interests in share options is given in the Report on Directors' remuneration on pages 66 to 87.

Operating leases

Operating lease commitments – Group as lessee

The vast majority of the Group's leases are industry standard UK pub or commercial property leases which provide for periodic rent reviews to open market value and enjoy statutory rights to renewal on expiry. Generally they do not contain conditions relating to rent escalation, rights to purchase, concessions, residual values or other material provisions of an unusual nature.

Total future minimum lease rental payments under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Due within one year	**54**	52
Between one and five years	**199**	194
After five years	**440**	448
	693	694

Operating lease receivables – Group as lessor

The Group leases a small proportion of its unlicensed properties to tenants. The majority of lease agreements have terms of 50 years or less and are classified as operating leases. Where sublet arrangements are in place, future minimum lease payments and receipts are presented gross.

Total future minimum lease rental receipts under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Due within one year	**8**	8
Between one and five years	**27**	26
After five years	**45**	45
	80	79

Lease income recognised in the year was as follows:

	2017 53 weeks £m	2016 52 weeks £m
Standard lease income	**10**	10

Auditor remuneration

	2017 53 weeks £m	2016 52 weeks £m
Fees payable to the Group's auditor for the:		
– audit of the consolidated Group financial statements	**0.1**	0.1
– audit of the Company's subsidiaries financial statements	**0.3**	0.3
Total audit fees	**0.4**	0.4
Other fees to auditor:		
– audit related assurance services	**0.1**	0.1
Total non-audit fees	**0.1**	0.1

Auditor's remuneration of £0.3m (2016 £0.3m) was paid in the UK and £0.1m (2016 £0.1m) was paid in Germany.

2.4 Taxation

Accounting policies

The income tax expense represents both the income tax payable, based on profits for the period, and deferred tax and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are not taxable. Income tax is recognised in the income statement except when it relates to items that are charged or credited in other comprehensive income or directly in equity, in which case the income tax is also charged or credited in other comprehensive income or directly in equity.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount of their tax bases. Deferred tax is not recognised in respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Taxation – income statement

	2017 53 weeks £m	2016 52 weeks £m
Current tax:		
– UK corporation tax	**(20)**	(28)
– Amounts over provided in prior periods	**3**	3
Total current tax charge	**(17)**	(25)
Deferred tax:		
– Origination and reversal of temporary differences	**7**	9
– Adjustments in respect of prior periods	**(4)**	(3)
– Change in tax rate	**–**	14
Total deferred tax credit	**3**	20
Total tax charged in the income statement	**(14)**	(5)
Further analysed as tax relating to:		
Profit before adjusted items	**(37)**	(37)
Adjusted items	**23**	32
	(14)	(5)

The tax charge in the income statement for the period is lower (2016 lower) than the standard rate of corporation tax in the UK. The differences are reconciled below:

	2017 53 weeks £m	2016 52 weeks £m
Profit before tax	**77**	94
Taxation charge at the UK standard rate of corporation tax of 19.5% (2016 20.0%)	**(15)**	(19)
Expenses not deductible	**(4)**	(2)
Income not taxable	**9**	2
Adjustments in respect of prior periods	**(1)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1)**	–
Tax credit in respect of change in UK tax rate	**–**	14
Effect of different rates for deferred tax and corporation tax	**(2)**	–
Total tax charge in the income statement	**(14)**	(5)

Taxation for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

	2017 53 weeks £m	2016 52 weeks £m
Deferred tax in the income statement:		
Accelerated capital allowances	**5**	7
Retirement benefit obligations	**(6)**	(4)
Rolled over and held over gains	**4**	10
Depreciated non-qualifying assets	**1**	2
Unrealised gains on revaluations	**7**	13
Tax losses – UK	**(6)**	(7)
Tax losses – overseas	**(2)**	(1)
Total deferred tax credit in the income statement	**3**	20

Taxation – other comprehensive income

	2017 53 weeks £m	2016 52 weeks £m
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
– Unrealised gains due to revaluations – revaluation reserve	**(13)**	(12)
– Unrealised gains due to revaluations – retained earnings	**1**	(11)
– Rolled over and held over gains – retained earnings	**–**	11
– Remeasurement of pension liability	**(1)**	(9)
	(13)	(21)
Items that may be reclassified subsequently to profit or loss:		
– Cash flow hedges:		
– (Gains)/losses arising during the period	**(10)**	11
– Reclassification adjustments for items included in profit or loss	**(9)**	(1)
	(19)	10
Total tax charge recognised in other comprehensive income	**(32)**	(11)

Tax relating to items recognised directly in equity

	2017 53 weeks £m	2016 52 weeks £m
Deferred tax:		
– Tax credit/(charge) related to share-based payments	**1**	(1)

Taxation – balance sheet

The deferred tax assets and liabilities recognised in the balance sheet are shown below:

	2017 £m	2016 £m
Deferred tax liability:		
Accelerated capital allowances	**(32)**	(37)
Rolled over and held over gains	**(112)**	(116)
Unrealised gains on revaluations	**(176)**	(171)
Depreciated non-qualifying assets	**(4)**	(5)
Total deferred tax liability	**(324)**	(329)
Deferred tax asset:		
Retirement benefit obligations (note 4.5)	**50**	57
Derivative financial instruments	**50**	69
Tax losses – UK	**8**	14
Tax losses – overseas	**–**	2
Share-based payments[a]	**2**	1
Total deferred tax asset	**110**	143
Total	**(214)**	(186)

a. Tax on share-based payments is recognised directly in equity in the statement of changes in equity.

2.4 Taxation continued

Unrecognised tax allowances

At the balance sheet date the Group had unused tax allowances of £80m in respect of unclaimed capital allowances (2016 £66m) available for offset against future profits.

A deferred tax asset has not been recognised on tax allowances with a value of £14m (2016 £11m) because it is not certain that future taxable profits will be available in the company where these tax allowances arose against which the Group can utilise these benefits. These tax credits can be carried forward indefinitely.

Factors which may affect future tax charges

The Finance (No.2) Act 2015 was enacted on 18 November 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balances at 24 September 2016 and 30 September 2017.

2.5 Earnings per share

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

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

Adjusted earnings per ordinary share amounts are presented before adjusted items (see note 2.2) in order to allow a better understanding of the adjusted trading performance of the Group.

	Profit £m	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
53 weeks ended 30 September 2017:			
Profit/EPS	**63**	**15.1p**	**15.0p**
Adjusted items, net of tax	**83**	**19.8p**	**19.8p**
Adjusted profit/EPS	**146**	**34.9p**	**34.8p**
52 weeks ended 24 September 2016:			
Profit/EPS	89	21.6p	21.6p
Adjusted items, net of tax	55	13.3p	13.3p
Adjusted profit/EPS	144	34.9p	34.9p

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

	2017 53 weeks m	2016 52 weeks m
For basic EPS calculations	**418**	413
Effect of dilutive potential ordinary shares:		
– Contingently issuable shares	**1**	–
For diluted EPS calculations	**419**	413

At 30 September 2017, 3,124,559 (2016 2,697,038) other share options were outstanding that could potentially dilute basic EPS in the future but were not included in the calculation of diluted EPS as they are anti-dilutive for the periods presented.

3.1 Property, plant and equipment

Accounting policies

Property, plant and equipment
The majority of the Group's freehold and long leasehold licensed land and buildings are revalued annually and are therefore held at fair value less depreciation.

Short leasehold buildings (leases with an unexpired lease term of less than 50 years), unlicensed land and buildings and fixtures, fittings and equipment are held at cost less depreciation and impairment.

All land and buildings are disclosed as a single class of asset within the property, plant and equipment table, as we do not consider the short leasehold and unlicensed buildings to be material for separate disclosure.

Non-current assets held for sale are held at their carrying value or their fair value less costs to sell where this is lower.

Depreciation
Depreciation is charged to the income statement on a straight-line basis to write off the cost less residual value over the estimated useful life of an asset and commences when an asset is ready for its intended use. Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Freehold land is not depreciated.

Freehold and long leasehold buildings are depreciated so that the difference between their carrying value and estimated residual value is written off over 50 years from the date of acquisition. The residual value of freehold and long leasehold buildings is reassessed each year and is estimated to be equal to the fair value determined in the annual valuation and therefore no depreciation charge is recognised.

Short leasehold buildings, and associated fixtures, fittings and equipment, are depreciated over the shorter of the estimated useful life and the unexpired term of the lease.

Fixtures, fittings and equipment have the following estimated useful lives:

Information technology equipment	3 to 7 years
Fixtures and fittings	3 to 20 years

At the point of transfer to non-current assets held for sale, depreciation ceases. Should an asset be subsequently reclassified to property, plant and equipment, the depreciation charge is calculated to reflect the cumulative charge had the asset not been reclassified.

Disposals
Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sales proceeds and the carrying amount of the asset at the date of disposal.

Revaluation
The revaluation utilises valuation multiples, which are determined via third-party inspection of 20% of the sites such that all sites are individually valued approximately every five years; and estimates of fair maintainable trade (FMT); and estimated resale value of tenant's fixtures and fittings. Properties are valued as fully operational entities, to include fixtures and fittings but excluding stock and personal goodwill. The value of tenant's fixtures and fittings is then removed from this valuation via reference to its associated resale value. Where sites have been impacted by expansionary capital investment in the preceding 12 months, the prior year FMT is considered to represent the most appropriate maintainable profit of the site as the current year trading performance includes a period of closure.

Valuation multiples derived via third-party inspections determine brand standard multiples which are then used to value the remainder of the non-inspected estate via an extrapolation exercise, with the output of this exercise reviewed at a high level by the Directors and the third-party valuer.

Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation adjustment which has been recognised in the income statement previously; in which case an amount equal to a maximum of that recognised in the income statement previously is recognised in income. Where the revaluation exercise gives rise to a deficit, this is reflected directly within the income statement, unless it is reversing a previous revaluation surplus against the same asset; in which case an amount equal to the maximum of the revaluation surplus is recognised within other comprehensive income (in the revaluation reserve).

Impairment
Short leasehold and unlicensed properties are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an outlet exceeds its recoverable amount. The recoverable amount is the higher of an outlet's fair value less costs to sell and value in use. Any changes in outlet earnings, or cash flows, the discount rate applied to those cash flows, or the estimate of sales proceeds could give rise to an additional impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately. An impairment reversal is only recognised where there is a change in the estimates used to determine recoverable amounts, not where it results from the passage of time.

3.1 Property, plant and equipment continued

Critical accounting judgements
The revaluation methodology is determined using management judgement, with advice from third-party valuers. The application of a valuation multiple to the fair maintainable trade of each site is considered the most appropriate method for the Group to determine the fair value of licensed land and buildings. Where the value of land and buildings derived purely from a multiple applied to the fair maintainable trade misrepresents the underlying asset value, due to low levels of income or location characteristics, a spot valuation is applied.

Management also use judgement to determine the most appropriate method of reviewing short leasehold and unlicensed properties for impairment. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations by applying growth rates to determine future cash flows and discounting at an appropriate rate.

Critical accounting estimates
The application of the valuation methodology requires two critical accounting estimates; the estimation of valuation multiples, which are determined via third-party inspections; and an estimate of fair maintainable trade, including reference to historic and future projected income levels. A sensitivity analysis of changes in valuation multiples and FMT, in relation to the properties to which these estimates apply, is provided on page 113. The carrying value of properties to which these estimates apply is £4,230m (2016 £4,217m).

Property, plant and equipment
Property, plant and equipment can be analysed as follows:

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation			
At 26 September 2015 (restated*)	3,762	1,073	4,835
Exchange differences	3	3	6
Additions (restated*)	39	128	167
Disposals[a] (restated*)	(3)	(92)	(95)
Revaluation/(impairment)	133	(5)	128
At 24 September 2016 (restated*)	3,934	1,107	5,041
Additions	43	120	163
Disposals[a]	(7)	(73)	(80)
Transfers to assets held for sale	(30)	(25)	(55)
Revaluation/(impairment)	13	(11)	2
At 30 September 2017	**3,953**	**1,118**	**5,071**
Depreciation			
At 26 September 2015 (restated*)	69	524	593
Exchange differences	2	2	4
Provided during the period (restated*)	7	104	111
Disposals[a] (restated*)	(1)	(89)	(90)
At 24 September 2016	77	541	618
Provided during the period	6	107	113
Disposals[a]	(5)	(72)	(77)
Transfers to assets held for sale	–	(12)	(12)
At 30 September 2017	**78**	**564**	**642**
Net book value			
At 30 September 2017	**3,875**	**554**	**4,429**
At 24 September 2016 (restated*)	3,857	566	4,423
At 26 September 2015 (restated*)	3,693	549	4,242

* An amount of £48m (cost of £88m less depreciation of £40m) as at 24 September 2016 and £45m (cost of £81m less depreciation of £36m) as at 26 September 2015, has been reclassified to fixtures, fittings and equipment from land and buildings. This reclassification has no impact on the total value of property, plant and equipment.
a. Includes assets which are fully depreciated and have been removed from the fixed asset register.

Certain assets with a net book value of £44m (2016 £43m) owned by the Group are subject to a fixed charge in respect of liabilities held by the Mitchells & Butlers Executive Top-Up Scheme (MABETUS).

Cost at 30 September 2017 includes £10m (2016 £11m) of assets in the course of construction.

Revaluation of freehold and long leasehold properties

The freehold and long leasehold properties have been valued at market value, as at 30 September 2017 using information provided by CBRE, independent chartered surveyors. The valuation was carried out in accordance with the provisions of RICS Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity. The market value has been determined having regard to factors such as current and future projected income levels, taking account of location, quality of the pub restaurant and recent market transactions in the sector.

Sensitivity analysis

Changes in either the FMT or the multiple could materially impact the valuation of the freehold and long leasehold properties. It is estimated that, given the multiplier effect, a 2.5% change in the EBITDA of the freehold or long leasehold properties would generate an approximate £70m movement in their valuation. It is estimated that a 0.1 change in the multiple would generate an approximate £31m movement in valuation.

Impairment review of short leasehold and unlicensed properties

Short leasehold and unlicensed properties (comprising land and buildings and fixtures, fittings and equipment) which are not revalued to fair market value, are reviewed for impairment by comparing site value in use calculations to their carrying values. The value in use calculation uses forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 7% (2016 7%). Any resulting impairment relates to sites with poor trading performance, where the output of the value in use calculation is insufficient to justify their current net book value.

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

	2017 53 weeks £m	2016 52 weeks £m
Income statement		
Revaluation loss charged as an impairment	**(109)**	(144)
Reversal of past impairments	**58**	64
Total impairment arising from the revaluation	**(51)**	(80)
Impairment of short leasehold and unlicensed properties	**(17)**	(8)
Impairment of assets held for sale	**(4)**	–
	(72)	(88)
Revaluation reserve		
Unrealised revaluation surplus	**210**	329
Reversal of past revaluation surplus	**(136)**	(113)
	74	216
Net increase in property, plant and equipment	**2**	128

The valuation techniques are consistent with the principles in IFRS 13 and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

The key inputs to valuation on property, plant and equipment are as follows:

30 September 2017	**Number of pubs**	**Land and buildings £m**	**Fixtures, fittings and equipment £m**	**Net book value[a] £m**
Freehold properties	**1,339**	**3,512**	**426**	**3,938**
Long leasehold properties	**95**	**256**	**36**	**292**
Total revalued properties	**1,434**	**3,768**	**462**	**4,230**
Short leasehold properties		**86**	**84**	**170**
Unlicensed properties		**14**	**2**	**16**
Other non-pub assets		**1**	**2**	**3**
Assets under construction		**6**	**4**	**10**
Total property, plant and equipment		**3,875**	**554**	**4,429**

3.1 Property, plant and equipment continued

24 September 2016	Number of pubs	Land and buildings £m	Fixtures, fittings and equipment £m	Net book value[a] £m
Freehold properties	1,411	3,490	437	3,927
Long leasehold properties	98	256	34	290
Total revalued properties	1,509	3,746	471	4,217
Short leasehold properties		91	86	177
Unlicensed properties		13	2	15
Other non-pub assets		1	2	3
Assets under construction		6	5	11
Total property, plant and equipment		3,857	566	4,423

a. The carrying value of freehold and long leasehold properties based on their historical cost (or deemed cost at transition to IFRS) is £2,625m and £188m respectively (2016 £2,683m and £191m).

The tables below show, by class of asset, the number of properties that have been valued within each FMT and multiple banding:

	Valuation multiple applied to FMT					
30 September 2017	**Over 12 times**	**10 to 12 times**	**8 to 10 times**	**6 to 8 times**	**Under 6 times**	**Total**
Number of pubs in each FMT income banding:						
<£200k pa	**46**	**11**	**153**	**190**	**12**	**412**
£200k to £360k pa	**–**	**11**	**315**	**141**	**13**	**480**
>£360k pa	**2**	**52**	**406**	**59**	**23**	**542**
	48	**74**	**874**	**390**	**48**	**1,434**

	Valuation multiple applied to FMT					
24 September 2016	Over 12 times	10 to 12 times	8 to 10 times	6 to 8 times	Under 6 times	Total
Number of pubs in each FMT income banding:						
<£200k pa	47	12	195	231	9	494
£200k to £360k pa	2	13	358	131	3	507
>£360k pa	1	55	397	54	1	508
	50	80	950	416	13	1,509

Year-on-year movements in valuation multiples are the result of changes in property market conditions. The average weighted multiple is 8.5 (2016 8.6).

Included within property, plant and equipment are assets with a net book value of £3,808m (2016 £3,780m), which are pledged as security for the securitisation debt and over which there are certain restrictions on title.

In addition to the above, premiums paid on acquiring a new lease are classified separately in the balance sheet. At 30 September 2017 an amount of £1m (2016 £2m) was included in the balance sheet.

Assets held for sale

	2017 £m	2016 £m
Properties	**1**	–

In accordance with IFRS 5, properties categorised as held for sale are held at the lower of book value and fair value less costs to sell.

During the period, £43m of properties were classified as held for sale. An impairment of £4m was recognised prior to reclassification.

Subsequently, £42m of properties have been sold, leaving £1m remaining as held for sale at the balance sheet date.

Capital commitments

	2017 £m	2016 £m
Contracts placed for expenditure on property, plant and equipment not provided for in the financial statements	**23**	23

3.2 Working capital

Inventories

Accounting policy
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Work in progress is in respect of property development activities and includes the direct costs of the developments and associated professional fees.

Inventories can be analysed as follows:

	2017 £m	2016 £m
Work in progress	**–**	1
Goods held for resale	**24**	24
Total inventories	**24**	25

Trade and other receivables

Accounting policy
Trade and other receivables are recognised and carried at original cost less an allowance for any uncollectable amounts.

Trade and other receivables can be analysed as follows:

	2017 £m	2016 £m
Trade receivables	**5**	4
Other receivables	**15**	14
Prepayments	**33**	14
Total trade and other receivables	**53**	32

All amounts fall due within one year.

Trade and other receivables are non-interest bearing and are classified as loans and receivables and are therefore held at amortised cost. Trade and other receivables past due and not impaired are immaterial and therefore no further analysis is presented. The Directors consider that the carrying amount of trade and other receivables approximately equates to their fair value.

Credit risk is considered in note 4.4.

Trade and other payables

Accounting policy
Trade and other payables are recognised at original cost.

Trade and other payables can be analysed as follows:

	2017 £m	2016 £m
Trade payables	**80**	96
Other taxation and social security	**70**	73
Accrued charges	**102**	94
Other payables	**45**	30
Total trade and other payables	**297**	293

Current trade and other payables are non-interest bearing. The Directors consider that the carrying amount of trade and other payables approximately equates to their fair value.

3.3 Provisions

Accounting policy
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured using the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Onerous property provisions represent the expected unavoidable losses on onerous and vacant property leases and comprise the lower of the net rent payable or the operating loss after rental costs. The provision is calculated on a site by site basis with a provision being made for the remaining lease term, where a lease is considered to be onerous. Other contractual dilapidations costs are also recorded as provisions as appropriate.

Critical accounting judgements
Determination of whether a loss is unavoidable requires areas of judgement such as consideration of potential future investment decisions, local conditions which may be impacting on current performance and the opportunity to surrender a lease back to the landlord.

3.3 Provisions continued

Critical accounting estimates
In relation to onerous property provisions, estimates are required in determining the future EBITDA performance of each site and the potential to exit leases earlier than the expiry date. A sensitivity analysis of changes in these estimates is provided below. The value of provisions to which these estimates apply is £42m (2016 £9m).

Provisions
The provision for unavoidable losses on onerous property leases has been set up to cover rental payments of vacant or loss-making properties. Payments are expected to continue on these properties for periods of 1 to 19 years.

Provisions can be analysed as follows:

	Property leases £m
At 26 September 2015	10
Released in the period	(2)
Provided in the period	5
Unwinding of discount	–
Utilised in the period	(4)
At 24 September 2016	9
Released in the period[a]	(1)
Provided in the period[b]	36
Unwinding of discount	1
Utilised in the period	(3)
At 30 September 2017	**42**

a. Releases in the period primarily relate to property disposals. This has been recognised within adjusted profit to reflect where the charge for these properties was originally recognised.
b. During the period, a full review of estate strategy in relation to managed leasehold properties has been completed, with specific focus on the challenges around loss-making sites and those located on retail and leisure parks. With lower footfall on many of these parks and the continued uncertain economic outlook, alongside increased cost pressures such as living wage, business rates review, apprenticeship levy, sugar tax and food price inflation, a number of short leasehold sites are now challenged when striving to achieve a break-even profit performance. As a result, the losses are now considered unavoidable for the remaining committed lease term for managed properties. In addition, the discount rate applied in the calculation has been updated. As a result of these changes, a £35m increase in the provision which has been included as a separately disclosed item (see note 2.2).
The remaining increase of £1m is recognised within adjusted profit, as this represents unavoidable losses on unlicensed properties. There is no change in approach for these sites from the prior period.

Sensitivity analysis
Changes in the EBITDA performance of each site could impact on the value of the provision. It is estimated that, a 10% decline in the EBITDA performance of the sites included in the provision would generate an additional provision of £2m.

It is also estimated that, should all leases with more than ten years remaining on the committed lease term be exited two years ahead of expiry, the provision would reduce by £3m.

3.4 Goodwill and other intangible assets

Accounting policies
Business combinations and goodwill
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given and liabilities incurred or assumed by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits (revised) respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after reassessment, the net of the identifiable assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the income statement as a bargain purchase.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the contingent consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates, at fair value, with the corresponding gain or loss being recognised in the income statement.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is re-measured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill is not amortised, but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. The impairment review requires management to consider the recoverable value of the business to which the goodwill relates, based on either the fair value less costs to sell or the value in use. Value in use calculations require management to consider the net present value of future cash flows generated by the business to which the goodwill relates. Fair value less costs to sell is based on management's estimate of the net proceeds which could be generated through disposing of that business. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer software
Computer software and associated development costs, which are not an integral part of a related item of hardware, are capitalised as an intangible asset and amortised on a straight-line basis over their useful life. The period of amortisation ranges between three and seven years with the majority being five years.

Intangible assets
Intangible assets can be analysed as follows:

	Goodwill £m	Computer software £m	Total £m
Cost			
At 26 September 2015	7	10	17
Additions	–	1	1
At 24 September 2016	7	11	18
Additions	–	3	3
At 30 September 2017	**7**	**14**	**21**
Accumulated amortisation and impairment			
At 26 September 2015	5	2	7
Provided during the period	–	2	2
At 24 September 2016	5	4	9
Provided during the period	–	2	2
At 30 September 2017	**5**	**6**	**11**
Net book value			
At 30 September 2017	**2**	**8**	**10**
At 24 September 2016	2	7	9
At 26 September 2015	2	8	10

There are no intangible assets with indefinite useful lives. All amortisation charges have been expensed through operating costs.

Goodwill has been tested for impairment on a site-by-site basis using forecast cash flows, discounted by applying a pre-tax discount rate of 7% (2016 7%). For the purposes of the calculation of the recoverable amount, the cash flow projections beyond the two year period include 2% (2016 2%) growth per annum.

4.1 Net debt

Accounting policy

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.

Net debt

	2017 £m	2016 £m
Cash and bank balances	**147**	158
Cash and cash equivalents	**147**	158
Other cash deposits	**120**	120
Securitised debt (note 4.2)	**(1,909)**	(1,995)
Liquidity facility (note 4.2)	**(147)**	(147)
Revolving credit facilities (note 4.2)	**(6)**	(31)
Derivatives hedging balance sheet debt[a] (note 4.2)	**45**	55
	(1,750)	(1,840)

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

Movement in net debt

	2017 53 weeks £m	2016 52 weeks £m
Net decrease in cash and cash equivalents	**(11)**	(7)
Add back cash flows in respect of other components of net debt:		
Repayment of principal in respect of securitised debt	**77**	67
Net movement on unsecured revolving facilities	**25**	(31)
Decrease in net debt arising from cash flows	**91**	29
Movement in capitalised debt issue costs net of accrued interest	**(1)**	(1)
Decrease in net debt	**90**	28
Opening net debt	**(1,840)**	(1,870)
Foreign exchange movements on cash	**–**	2
Closing net debt	**(1,750)**	(1,840)

4.2 Borrowings

Accounting policy

Borrowings, which include the Group's secured loan notes, are stated initially at fair value (normally the amount of the proceeds) net of issue costs. Thereafter they are stated at amortised cost using an effective interest basis. Finance costs, which are the difference between the net proceeds and the total amount of payments to be made in respect of the instruments, are allocated over the term of the debt using the effective interest method. Borrowing costs are not attributed to the acquisition or construction of assets and therefore no costs are capitalised within property, plant and equipment.

Borrowings can be analysed as follows:

	2017 £m	2016 £m
Current		
Securitised debt[a,b]	**82**	75
Liquidity facility	**147**	147
Unsecured revolving credit facilities	**6**	31
Total current	**235**	253
Non-current		
Securitised debt[a,b]	**1,827**	1,920
Total borrowings	**2,062**	2,173

a. Further details of the assets pledged as security against the securitised debt are given on page 113.
b. Stated net of deferred issue costs.

	2017 £m	2016 £m
Analysis by year of repayment		
Due within one year or on demand	**235**	253
Due between one and two years	**130**	137
Due between two and five years	**307**	285
Due after five years	**1,390**	1,498
Total borrowings	**2,062**	2,173

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 ('MAB Retail'). 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 loan notes consist of 10 tranches as follows:

					Principal outstanding		
Tranche	Initial principal borrowed £m	Interest	Principal repayment period (all by instalments)	Effective interest rate %	**30 September 2017 £m**	24 September 2016 £m	Expected WAL[a]
A1N	200	Floating	2011 to 2028	6.21[b]	**142**	152	6 years
A2	550	Fixed-5.57%	2003 to 2028	6.01	**258**	276	6 years
A3N	250	Floating	2011 to 2028	6.29[b]	**177[c]**	189[c]	6 years
A4	170	Floating	2016 to 2028	5.97[b]	**159**	168	6 years
AB	325	Floating	2020 to 2032	5.74[b]	**325**	325	11 years
B1	350	Fixed-5.97%	2003 to 2023	6.12	**119**	135	3 years
B2	350	Fixed-6.01%	2015 to 2028	6.12	**327**	339	7 years
C1	200	Fixed-6.47%	2029 to 2030	6.56	**200**	200	12 years
C2	50	Floating	2033 to 2034	6.47[b]	**50**	50	16 years
D1	110	Floating	2034 to 2036	6.68[b]	**110**	110	18 years
	2,555				**1,867**	1,944	

a. Expected weighted average life (WAL) assumes no early redemption in respect of any loan notes.
b. After the effect of interest rate swaps.
c. A3N notes are US$ notes which are shown as translated to sterling at the hedged swap rate. Values at the period end spot rate are £222m (2016 £244m). Therefore the exchange difference on the A3N notes is £45m (2016 £55m).

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.

Interest and margin is payable on the floating rate notes as follows:

Tranche	Interest	Margin
A1N	3 month LIBOR	0.45%
A3N	3 month US$ LIBOR	0.45%
A4	3 month LIBOR	0.58%
AB	3 month LIBOR	0.60%
C2	3 month LIBOR	1.88%
D1	3 month LIBOR	2.13%

The overall cash interest rate payable on the loan notes is 6.1% (2016 6.1%) after taking account of interest rate hedging and the cost of the provision of a financial guarantee provided by Ambac in respect of the Class A and AB notes.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other Group companies. At 30 September 2017, Mitchells & Butlers Retail Limited had cash and cash equivalents of £97m (2016 £103m). Of this amount £1m (2016 £36m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions. The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

4.2 Borrowings continued

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

	2017 £m	2016 £m
Principal outstanding at beginning of period	**1,998**	2,031
Principal repaid during the period	**(77)**	(67)
Exchange on translation of dollar loan notes	**(10)**	34
Principal outstanding at end of period	**1,911**	1,998
Deferred issue costs	**(6)**	(7)
Accrued interest	**4**	4
Carrying value at end of period	**1,909**	1,995

Liquidity facility

Under the terms of the securitisation, the Group holds a liquidity facility of £295m provided by two counterparties. As a result of the decrease in credit rating of one of the counterparties, the Group was obliged to draw that counterparty's portion of the facility during the 52 weeks ended 27 September 2014. The amount drawn at 30 September 2017 is £147m (24 September 2016 £147m). These funds are charged under the terms of the securitisation and are not available for use in the wider Group.

The facility, which is not available for any other purpose, is sized to cover 18 months debt service.

Unsecured revolving credit facilities

The Group holds three unsecured committed revolving credit facilities of £50m each, and uncommitted revolving credit facilities of £15m, available for general corporate purposes. The amount drawn at 30 September 2017 is £6m (2016 £31m). All committed facilities expire on 31 December 2020.

4.3 Finance costs and revenue

	2017 53 weeks £m	2016 52 weeks £m
Finance costs		
Interest on securitised debt	**(120)**	(121)
Interest on other borrowings	**(4)**	(5)
Unwinding of discount on provisions	**(1)**	–
Total finance costs	**(125)**	(126)
Finance revenue		
Interest receivable – cash	**1**	1
Net pensions finance charge (note 4.5)	**(7)**	(12)

4.4 Financial instruments

Accounting policies

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised or derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); derivative instruments in designated hedge accounting relationships; 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the instrument have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the agreed credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities
Financial liabilities are classified as either 'borrowings at amortised cost' or 'other financial liabilities'.

The borrowings accounting policy is provided in note 4.2. Other financial liabilities are initially measured at fair value, net of transaction costs.

Derecognition of financial assets and liabilities
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group does not retain substantially all the risks and rewards of ownership but continues to control a transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability discharged and the consideration paid and payable is recognised in profit or loss.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Derivative financial instruments and hedge accounting
The Group uses interest rate and currency swap contracts to hedge its exposure to changes in interest rates and exchange rates. These contracts are designated as cash flow hedges and hedge accounting is applied where the necessary criteria under IAS 39 Financial Instruments: Recognition and Measurement are met. Derivative financial instruments are not used for trading or speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Fair value is calculated as the present value of the estimated future cash flows at a rate that reflects the credit risk of various counterparties.

Changes in the fair value of derivative instruments that are designated and effective as hedges of highly probable future cash flows are recognised in equity. The cumulative gain or loss is transferred from equity and recognised in the income statement at the same time as the hedged transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement immediately.

Movements in the fair value of derivative instruments which do not qualify for hedge accounting are recognised in the income statement immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or no longer qualifies for hedge accounting. At that point, the cumulative gain or loss in equity remains in equity and is recognised in accordance with the above policy when the transaction affects profit or loss. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all liabilities. Equity instruments issued by the Company are recorded at the fair value of the proceeds received, net of direct issue costs.

4.4 Financial instruments continued

Financial risk management

Financial risk is managed by the Group's Treasury function. The Group's Treasury function is governed by a Board Approved Treasury Policy Statement which details the key objectives and policies for the Group's treasury management. The Treasury Committee ensures that the Treasury Policy is adhered to, monitors its operation and agrees appropriate strategies for recommendation to the Board. The Treasury Policy Statement is reviewed annually, with recommendations for change made to the Board, as appropriate. The Group Treasury function is operated as a cost centre and is the only area of the business permitted to transact treasury deals. It must also be consulted on other related matters such as the provision of guarantees or the financial implications of contract terms.

An explanation of the Group's financial instrument risk management objectives and strategies is set out below.

The main financial risks which impact the Group result from funding and liquidity risk, credit risk, capital risk and market risk, principally as a result of changes in interest and currency rates. Derivative financial instruments, principally interest rate and foreign currency swaps, are used to manage market risk. Derivative financial instruments are not used for trading or speculative purposes.

Funding and liquidity risk

In order to ensure that the Group's long-term funding strategy is aligned with its strategic objectives, the Treasury Committee regularly assesses the maturity profile of the Group's debt, alongside the prevailing financial projections. This enables it to ensure that funding levels are appropriate to support the Group's plans.

The current funding arrangements of the Group consist of the securitised notes issued by Mitchells & Butlers Finance plc (and associated liquidity facility) along with three committed unsecured revolving credit facilities of £50m each. The terms of the securitisation and the revolving credit facilities contain various financial covenants. Compliance with these covenants is monitored by Group Treasury. The Group also has uncommitted revolving credit facilities of £15m.

The Group prepares a rolling daily cash forecast covering a six week period and an annual cash forecast by period. These forecasts are reviewed on a daily basis and are used to manage the investment and borrowing requirements of the Group. A combination of cash pooling and zero balancing agreements are in place to ensure the optimum liquidity position is maintained. The Group maintains sufficient cash balances or committed facilities outside the securitisation to ensure that it can meet its medium-term anticipated cash flow requirements.

The maturity table below details the contractual undiscounted cash flows (both principal and interest) for the Group's financial liabilities, after taking into account the effect of interest rate swaps.

	Within 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	More than 5 years £m	Total £m
30 September 2017[a]							
Fixed rate:							
Securitised debt[b]	**(194)**	**(193)**	**(197)**	**(199)**	**(199)**	**(1,879)**	**(2,861)**
Floating rate:							
Liquidity facility	**(147)**	–	–	–	–	–	**(147)**
Unsecured revolving credit facilities	**(6)**	–	–	–	–	–	**(6)**
Trade and other payables	**(297)**	–	–	–	–	–	**(297)**
24 September 2016[a]							
Fixed rate:							
Securitised debt[b]	(194)	(194)	(193)	(197)	(199)	(2,078)	(3,055)
Floating rate:							
Liquidity facility	(147)	–	–	–	–	–	(147)
Unsecured revolving credit facilities	(31)	–	–	–	–	–	(31)
Trade and other payables	(293)	–	–	–	–	–	(293)

a. Assumes no early redemption in respect of any loan notes.
b. Includes the impact of the cash flow hedges.

Credit risk

The Group Treasury function enters into contracts with third parties in respect of derivative financial instruments for risk management purposes and the investment of surplus funds. These activities expose the Group to credit risk against the counterparties. To mitigate this exposure, Group Treasury operates policies that restrict the investment of surplus funds and the entering into of derivative transactions to counterparties that have a minimum credit rating of 'A' (long-term) and 'A1'/'P1'/'F1' (short-term). Counterparties may also be required to post collateral with the Group, where their credit rating falls below a predetermined level. The amount that can be invested or transacted at various ratings levels is restricted under the policy. To minimise credit risk exposure against individual counterparties, investments and derivative transactions are entered into with a range of counterparties. The Group Treasury function reviews credit ratings, as published by Moody's, Standard & Poor's and Fitch Ratings, current exposure levels and the maximum permitted exposure at given credit ratings, for each counterparty on a daily basis. Any exceptions are required to be formally reported to the Treasury Committee on a four-weekly basis.

Included in other receivables are amounts due from certain Group suppliers. Included in trade and other payables at the period end are amounts due to some of these suppliers. This reduces the Group's credit exposure.

The Group's credit exposure at the balance sheet date was:

	2017 £m	2016 £m
Cash and cash equivalents	**147**	158
Other cash deposits	**120**	120
Trade receivables	**5**	4
Other receivables	**15**	14
Derivatives	**43**	53

Capital management
The Group's capital base is comprised of its net debt (analysed in note 4.1) plus total equity (disclosed on the face of the Group balance sheet). The objective is to maintain a capital base which is sufficiently strong to support the ongoing development of the business as a going concern, including the amenity, and cash flow generation of the pub estate. By keeping debt (see also 'Funding and liquidity risk' above) and headroom against its debt facilities at an appropriate level, the Group ensures that it maintains a strong credit position, whilst maximising value for shareholders and adhering to its covenants and other restrictions associated with its debt (see note 4.2). In managing its capital structure, from time to time the Group may realise value from non-core assets, buy back or issue new shares, initiate and vary its dividend payments and seek to vary or accelerate debt repayments. The Group's policy is to ensure that the maturity of its debt profile supports its strategic objectives. The Board considers the latest covenant compliance, headroom projections and projected balance sheet positions periodically throughout the year, based on the advice of the Treasury Committee which meets on a four-weekly basis. The Treasury Committee is chaired by the Group Treasurer and monitors Treasury performance and compliance with Board-approved policies. The Group Finance Director is also a member of the Committee.

Total capital at the balance sheet date is as follows:

	2017 £m	2016 £m
Net debt (note 4.1)	**1,750**	1,840
Total equity	**1,626**	1,408
Total capital	**3,376**	3,248

Market risk
The Group is exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate because of changes in market prices. Market risk comprises foreign currency and interest rate risk.

Foreign currency risk
The Group faces currency risk in two main areas:

At issuance of the Class A3N floating rate notes, the Group entered into a cross currency interest rate swap to manage the foreign currency exposure resulting from both the US$ principal and initial interest elements of the notes. The A3N notes form part of the securitised debt (see note 4.2).

Further to the step-up on the A3N notes on 15 December 2010, the Group has additional foreign currency exposure as a result of the increase in US$ finance costs. A movement of 10% in the US$ exchange rate would have £nil (2016 £nil) impact on the reported Group profit and £22m (2016 £25m) impact on the reported Group net assets.

The Group has no significant profit and loss exposure as a result of retranslating monetary assets and liabilities at different exchange rates. As the Group is predominantly UK based and acquires the majority of its supplies in sterling, it has no significant direct currency exposure from its operations.

Interest rate risk
The Group has a mixture of fixed and floating interest rate debt instruments and manages the variability in cash flows resulting from changes in interest rates by using derivative financial instruments. Where the necessary criteria are met, the Group minimises the volatility in its financial statements through the adoption of the hedge accounting provisions permitted under IAS 39. The interest rate exposure resulting from the Group's £1.9bn securitisation is largely fixed, either as a result of the notes themselves being issued at fixed interest rates, or through a combination of floating rate notes against which effective interest rate swaps are held, which are eligible for hedge accounting.

The sensitivity analysis below has been calculated based on the Group's exposure to interest rates for both derivative and non-derivative instruments as at the balance sheet date. For floating rate liabilities, which are not hedged by derivative instruments, the analysis has been prepared assuming that the liability outstanding at the balance sheet date was outstanding for the whole period. For interest income the analysis assumes that cash and cash equivalents and other cash deposits that were held in interest bearing accounts at the balance sheet date were held for the whole period. A 100 basis point movement is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

4.4 Financial instruments continued

	2017 £m	2016 £m
Interest income[a]	**2**	2
Interest expense[b]	**(2)**	(2)
Profit impact	**–**	–
Derivative financial instruments (fair values)[c]	**86**	98
Total equity	**86**	98

a. Represents interest income earned on cash and cash equivalents and other cash deposits (these are defined in note 4.1).
b. The element of interest expense which is not matched by payments and receipts under cash flow hedges which would otherwise offset the interest rate exposure of the Group.
c. The impact on total equity from movements in the fair value of cash flow hedges.

Derivative financial instruments

Cash flow hedges

Changes in cash flow hedge fair values are recognised in the hedging reserve in equity to the extent that the hedges are effective. The cash flow hedges detailed below have been assessed as being highly effective during the period and are expected to remain highly effective over the remaining contract lives.

During the period a gain of £60m (2016 loss of £116m) on cash flow hedges was recognised in equity. A loss of £53m (2016 loss of £8m) was recycled from equity and included in the Group income statement for the period.

Cash flow hedges – securitised borrowings

At 30 September 2017, the Group held 10 (2016 10) interest rate swap contracts with a nominal value of £963m (2016 £994m), designated as a hedge of the cash flow interest rate risk of £963m (2016 £994m) of the Group's floating rate borrowings, comprising the A1N, A3N, A4, AB, C2 and D1 loan notes.

The cash flows on these contracts occur quarterly, receiving a floating rate of interest based on LIBOR and paying a fixed rate of 4.8558% (2016 4.8625%). The contract maturity dates match those of the hedged item. The 10 interest rate swaps are held on the balance sheet at fair market value, which is a liability of £292m (2016 £404m).

At 30 September 2017 the Group held one (2016 one) cross currency interest rate swap contract, with a nominal value of £177m (2016 £189m), designated as a hedge of the cash flow interest rate and currency risk of the Group's A3N floating rate $297m (2016 $317m) borrowings. The cross currency interest rate swap is held on the balance sheet at a fair value asset of £43m (2016 £53m).

The cash flows on this contract occur quarterly, receiving a floating rate of interest based on US$ LIBOR and paying a floating rate of interest at LIBOR in sterling.

The cash flows arising from interest rate swap positions on the same counterparty may be settled as a net position. The cross currency interest rate swap is held under a separate agreement and cash movements for this instrument are settled individually.

The fair values of the derivative financial instruments were measured at 30 September 2017 and may be subject to material movements in the period subsequent to the balance sheet date. The fair values of the derivative financial instruments are reflected on the balance sheet as follows:

	Derivative financial instruments – fair value				
	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash flow hedges:					
– Interest rate swaps	**–**	**–**	**(43)**	**(249)**	**(292)**
– Cross currency swap	**41**	**2**	**–**	**–**	**43**
30 September 2017	**41**	**2**	**(43)**	**(249)**	**(249)**
24 September 2016	52	1	(44)	(360)	(351)

The fair value and carrying value of financial assets and liabilities by category is as follows:

	2017 Book value £m	2017 Fair value £m	2016 Book value £m	2016 Fair value £m
Financial assets:				
– Cash and cash equivalents	**147**	**147**	158	158
– Other cash deposits	**120**	**120**	120	120
– Derivative instruments in designated hedge accounting relationships	**43**	**43**	53	53
– Loans and receivables	**20**	**20**	18	18
Financial liabilities:				
– Borrowings at amortised cost	**(2,062)**	**(2,076)**	(2,173)	(2,167)
– Derivative instruments in designated hedge accounting relationships	**(292)**	**(292)**	(404)	(404)
– Other	**(297)**	**(297)**	(293)	(293)
	(2,321)	**(2,335)**	(2,521)	(2,515)

The various tranches of the securitised debt have been valued using period end quoted offer prices. As the securitised debt is traded on an active market, the market value represents the fair value of this debt. 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. Other financial assets and liabilities are either short-term in nature or their book values approximate to fair values.

Fair value of financial instruments

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

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

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

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

Fair value at 30 September 2017	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets:				
Currency swaps	**–**	**43**	**–**	**43**
Financial liabilities:				
Interest rate swaps	**–**	**(292)**	**–**	**(292)**
	–	**(249)**	**–**	**(249)**

Fair value at 24 September 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Currency swaps	–	53	–	53
Financial liabilities:				
Interest rate swaps	–	(404)	–	(404)
	–	(351)	–	(351)

4.5 Pensions

Accounting policy
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. The defined benefit liability relates to these funded plans, together with an unfunded unapproved pension arrangement (the Executive Top-Up Scheme, or MABETUS) in respect of certain MABEPP members. The assets of the plans are held in self-administered trust funds separate from the Company's assets.

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.

The total pension liability recognised in the balance sheet in respect of the Group's defined benefit arrangements is the greater of the minimum funding requirements, calculated as the present value of the agreed schedule of contributions, and the actuarial calculated liability. The actuarial liability is the present value of the defined benefit obligation, less the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit method as determined annually by qualified actuaries. This is based on a number of financial assumptions and estimates, the determination of which may be significant to the balance sheet valuation in the event that this reflects a greater deficit than that suggested by the schedule of minimum contributions.

There is no current service cost as all defined benefit schemes are closed to future accrual. The net pension finance charge, calculated by applying the discount rate to the pension deficit or surplus at the beginning of the period, is shown within finance income or expense. The administration costs of the scheme are recognised within operating costs in the income statement.

Re-measurement comprising actuarial gains and losses, the effect of minimum funding requirements, and the return on scheme assets are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the income statement in the period in which the curtailment or settlement occurs.

For the defined contribution arrangements, the charge against profit is equal to the amount of contributions payable for that period.

Critical accounting judgements
The calculation of the defined benefit liability requires management judgement to select an appropriate high-quality corporate bond to determine the discount rate.

Measurement of scheme assets and liabilities

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 2016 and updated by the schemes' independent qualified actuaries to 30 September 2017. Scheme assets are stated at market value at 30 September 2017 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the scheme liabilities are discounted using market yields at the end of the period on high-quality corporate bonds.

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

	2017	2016
Pensions increases	**3.1%**	2.9%
Discount rate	**2.7%**	2.2%
Inflation rate	**3.2%**	3.0%

The mortality assumptions were reviewed following the 2016 actuarial valuation. A summary of the average life expectancies assumed is as follows:

	2017		2016	
	Main plan years	**Executive plan years**	Main plan years	Executive plan years
Male member aged 65 (current life expectancy)	**21.2**	**23.8**	21.7	25.9
Male member aged 45 (life expectancy at 65)	**22.9**	**25.5**	24.3	27.6
Female member aged 65 (current life expectancy)	**23.6**	**25.9**	24.1	27.1
Female member aged 45 (life expectancy at 65)	**25.4**	**27.8**	26.9	29.1

Minimum funding requirements

The results of the 2016 actuarial valuation showed a funding deficit of £451m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 (revised). The Company has subsequently agreed recovery plans for both the Executive and Main schemes in order to close the funding deficit in respect of its pension liabilities. Agreement was reached with the Trustees in relation to the Executive plan on 30 June 2017 and the Main plan on 25 July 2017. In the intervening period, the Group continued to make contributions in line with the previous agreements. The new 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). Under IFRIC 14, an additional liability is recognised, such that the overall pension liability at the period end reflects the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actuarial deficit.

The employer contributions expected to be paid during the financial period ending 29 September 2018 amount to £47m.

In 2024, an additional payment of £13m will be made into escrow, should such further funding be required at that time. This is a contingent liability and is not reflected in the pensions liability as it is not committed.

Sensitivity to changes in actuarial assumptions

The sensitivities regarding principal actuarial assumptions, assessed in isolation, that have been used to measure the scheme liabilities are set out below:

	Increase or (decrease) in actuarial deficit		Increase or (decrease) in total pension liability	
	2017 £m	2016 £m	**2017 £m**	2016 £m
0.1% increase in discount rate	**(41)**	(52)	**(1)**	(2)
0.1% points increase in inflation rate	**36**	49	**1**	2
Additional one-year increase to life expectancy	**77**	89	**(1)**	1

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior periods.

Amounts recognised in respect of defined benefit 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

	2017 53 weeks £m	2016 52 weeks £m
Operating profit:		
Employer contributions (defined contribution plans)	**(7)**	(7)
Administrative costs (defined benefit plans)	**(2)**	(2)
Charge to operating profit	**(9)**	(9)
Finance costs:		
Net pensions finance charge on actuarial deficit	**(4)**	(3)
Additional pensions finance charge due to minimum funding	**(3)**	(9)
Net finance charge in respect of pensions	**(7)**	(12)
Total charge	**(16)**	(21)

Group statement of comprehensive income

	2017 53 weeks £m	2016 52 weeks £m
Return on scheme assets and effects of changes in assumptions	**337**	(148)
Movement in pension liability recognised due to minimum funding	**(329)**	126
Remeasurement of pension liability	**8**	(22)

4.5 Pensions continued

Group balance sheet

	2017 £m	2016 £m
Fair value of scheme assets	**2,390**	2,381
Present value of scheme liabilities	**(2,219)**	(2,587)
Actuarial surplus/(deficit) in the schemes	**171**	(206)
Additional liability recognised due to minimum funding	**(463)**	(131)
Total pension liability[a]	**(292)**	(337)
Associated deferred tax asset	**50**	57

a. The total pension liability of £292m (2016 £337m) is represented by a £47m current liability (2016 £46m) and a £245m non-current liability (2016 £291m).

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

	Scheme assets	
	2017 £m	2016 £m
Fair value of scheme assets at beginning of period	**2,381**	2,010
Interest income	**53**	71
Remeasurement gain:		
– Return on scheme assets (excluding amounts included in net finance charge)	**3**	355
Employer contributions	**46**	49
Benefits paid	**(91)**	(102)
Administration costs	**(2)**	(2)
At end of period	**2,390**	2,381

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

	Defined benefit obligation	
	2017 £m	2016 £m
Present value of defined benefit obligation at beginning of period	**(2,587)**	(2,112)
Interest cost	**(57)**	(74)
Benefits paid	**91**	102
Remeasurement losses:		
– Effect of changes in demographic assumptions	**139**	–
– Effect of changes in financial assumptions	**164**	(577)
– Effect of experience adjustments	**31**	74
At end of period[a]	**(2,219)**	(2,587)

a. The defined benefit obligation comprises £34m (2016 £39m) relating to the MABETUS unfunded plan and £2,185m (2016 £2,548m) relating to the funded plans.

The weighted average duration of the defined benefit obligation is 20 years (2016 21 years).

The major categories and fair values of scheme assets of the MABPP and MABEPP schemes at the end of the reporting period are as follows:

	2017 £m	2016 £m
Cash and equivalents	**18**	15
Equity instruments	**730**	633
Debt instruments:		
– Bonds	**1,512**	1,600
– Real estate debt	**90**	96
– Infrastructure debt	**73**	50
– Absolute return bond funds	**200**	198
– Gilt repurchase transactions	**(245)**	(202)
Gold	**4**	5
Forward foreign exchange contracts	**8**	(14)
Fair value of assets	**2,390**	2,381

The actual investment return achieved on the scheme assets over the period was 2.2% (2016 22.0%), which represented a gain of £56m (2016 £427m).

Virtually all equity instruments, bonds and gold have quoted prices in active markets and are classified as Level 1 instruments. Absolute return bond funds, gilt repurchase transactions and forward foreign exchange contracts are classified as Level 2 instruments. Real estate debt and infrastructure debt are classified as level 3 instruments.

In the 53 weeks ended 30 September 2017 the Group paid £7m (2016 £6m) in respect of the defined contribution arrangements, with an additional £1m (2016 £1m) outstanding as at the period end.

At 30 September 2017 the MABPP owed £2m (2016 £1m) to the Group in respect of expenses paid on its behalf. This amount is included in other receivables in note 3.2.

4.6 Share-based payments

Accounting policy

The Group operates a number of equity-settled share-based compensation plans, whereby, subject to meeting any relevant conditions, employees are awarded shares or rights over shares. The cost of such awards is measured at fair value, excluding the effect of non market-based vesting conditions, on the date of grant. The expense is recognised on a straight-line basis over the vesting period and is adjusted for the estimated effect of non market-based vesting conditions and forfeitures, on the number of shares that will eventually vest due to employees leaving the employment of the Group. Fair values are calculated using either the Black-Scholes, Binomial or Monte Carlo simulation models depending on the conditions attached to the particular share scheme.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in an accelerated recognition of the expense that would have arisen over the remainder of the original vesting period.

Schemes in operation

The net charge recognised for share-based payments in the period was £2m (2016 £2m).

The Group had four equity-settled share schemes (2016 four) in operation during the period; the Performance Restricted Share Plan (PRSP); Sharesave Plan; Share Incentive Plan (SIP) and Short Term Deferred Incentive Plan (STDIP). There were no outstanding awards for the STDIP plan at the start of the period and no grants in the current period, therefore no disclosures are presented below for this scheme.

The vesting of all awards or options is generally dependent upon participants remaining in the employment of a participating company during the vesting period. Further details on each scheme are provided in the Report on Directors' remuneration on pages 66 to 87.

The following tables set out weighted average information about how the fair value of each option grant was calculated:

	2017		2016	
	Performance Restricted Share Plan	**Sharesave Plan**	Performance Restricted Share Plan	Sharesave Plan
Valuation model	**Monte Carlo and Binomial**	**Black-Scholes**	Monte Carlo and Binomial	Black-Scholes
Weighted average share price	**246.1p**	**231.0p**	239.5p	282.7p
Exercise price[a]	**–**	**221.0p**	–	264.0p
Expected dividend yield[b]	**–**	**2.94%**	–	2.32%
Risk-free interest rate	**0.34%**	**0.31%**	0.11%	0.69%
Volatility[c]	**32.0%**	**29.43%**	32.8%	28.3%
Expected life (years)[d]	**3.5**	**4.10**	2.92	3.99
Weighted average fair value of grants during the period	**182.4**	**42.8**	159.3	57.8

a. The exercise price for the Performance Restricted Share Plan is £1 per participating employee.
b. The expected dividend yield for the Sharesave Plan has used historical dividend information. For details on the Group's current dividend policy refer to the Financial review on page 43. The expected dividend yield for the Performance Restricted Share Plan options is zero as participants are entitled to Dividend Accrued Shares to the value of ordinary dividends paid or payable during the vesting period.
c. The expected volatility is determined by calculating the historical volatility of the Company's share price commensurate with the expected term of the options and share awards.
d. The expected life of the options represents the average length of time between grant date and exercise date.

The fair value of awards under the Short Term Deferred Incentive Plan and the Share Incentive Plan are equal to the share price on the date of award as there is no price to be paid and employees are entitled to Dividend Accrued Shares to the value of ordinary dividends paid or payable during the vesting period. The assumptions set out above are therefore not relevant to these schemes. The fair value of options granted under the Share Incentive Plan during the period was 231.0p (2016 282.7p).

4.6 Share-based payments continued

The tables below summarise the movements in outstanding options during the period.

	Number of shares		Weighted average exercise price	
	2017 m	2016 m	**2017** p	2016 p
Sharesave plan				
Outstanding at the beginning of the period	**3.6**	3.9	**297.0**	299.2
Granted	**1.8**	1.6	**221.0**	264.0
Exercised	**(0.1)**	(0.8)	**249.0**	191.7
Forfeited	**(0.8)**	(1.0)	**296.8**	337.7
Expired	**(0.4)**	(0.1)	**302.6**	279.7
Outstanding at the end of the period	**4.1**	3.6	**264.1**	297.0
Exercisable at the end of the period	**0.5**	–	**291.1**	–

The outstanding options for the SAYE scheme had an exercise price of between 182.0p and 362.0p (2016 between 182.0p and 362.0p) and the weighted average remaining contract life was 3.0 years (2016 2.9 years). The number of forfeited shares in the period includes 615,998 (2016 811,828) cancellations.

SAYE options were exercised on a range of dates. The average share price through the period was 251.1 (2016 286.9p).

	Number of shares	
	2017 m	2016 m
Share Incentive Plan		
Outstanding at the beginning of the period	**1.5**	1.5
Granted	**0.5**	0.3
Exercised	**(0.2)**	(0.2)
Forfeited	**(0.1)**	(0.1)
Outstanding at the end of the period	**1.7**	1.5
Exercisable at the end of the period	**0.8**	0.8

Options under the Share Incentive Plan are capable of remaining within the SIP trust indefinitely while participants continue to be employed.

	Number of shares	
	2017 m	2016 m
Performance Restricted Share Plan		
Outstanding at the beginning of the period	**4.1**	3.5
Granted	**2.1**	2.0
Exercised	**–**	(0.2)
Forfeited	**(0.1)**	(0.1)
Expired	**(0.9)**	(1.1)
Outstanding at the end of the period	**5.2**	4.1
Exercisable at the end of the period	**–**	–

The exercise price for the Performance Restricted Share Plan is £1 per participating employee, therefore the weighted average exercise price for these options is £nil (2016 £nil).

Options outstanding at 30 September 2017 had an exercise price of £nil and a weighted average remaining contractual life of 3.3 years (2016 3.4 years).

4.7 Equity

Accounting policies

Own shares

The cost of own shares held in employee share trusts and in treasury are deducted from shareholders' equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently sold or reissued, the fair value of any consideration received is also included in shareholders' equity.

Dividends

Dividends proposed by the Board but unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

Scrip dividends are fully paid up from the share premium account. They are accounted for as an increase in share capital for the nominal value of the shares issued, and a resulting reduction in share premium.

Called up share capital

	2017 Number of shares	£m	2016 Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 8 13/24p each				
At start of period	**413,624,294**	**35**	412,520,626	35
Share capital issued[a]	**8,924,310**	**1**	1,103,668	–
At end of period	**422,548,604**	**36**	413,624,294	35

a. Under the terms of the Company's scrip dividend scheme, shareholders were able to elect to receive ordinary shares in place of the final dividend of 5.0p per ordinary share in relation to the 52 weeks ended 24 September 2016 and the interim dividend of 2.5p in relation to the current period. This resulted in the issue of 7,252,656 and 1,253,640 new fully paid ordinary shares respectively (2016 nil and nil). In addition the Company issued 418,014 (2016 1,103,668) shares during the year under the savings related share option schemes for a consideration of £nil (2016 £nil).

All of the ordinary shares rank equally with respect to voting rights and rights to receive ordinary and special dividends. There are no restrictions on the rights to transfer shares.

Details of options granted under the Group's share schemes, are contained in note 4.6.

Dividends

	2017			2016		
	Total dividend £m	**Settled via scrip £m**	**Pence per ordinary share**	Total dividend £m	Settled via scrip £m	Pence per ordinary share
Declared and paid in the period						
Interim dividend – 53 weeks ended 30 September 2017	**11**	**3**	**2.5**	–	–	–
Final dividend – 52 weeks ended 24 September 2016	**21**	**17**	**5.0**	–	–	–
Interim dividend – 52 weeks ended 24 September 2016	**–**	**–**	**–**	10	–	2.5
Final dividend – 52 weeks ended 26 September 2015	**–**	**–**	**–**	21	–	5.0
	32	**20**		31	–	

The final dividend of 5.0p per ordinary share declared in relation to the 52 weeks ended 24 September 2016 (2015 5.0p) was approved at the Annual General Meeting on 28 January 2017 and was paid to shareholders on 7 February 2017. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme. Of the £21m final dividend, £17m was in the form of the issue of ordinary shares to shareholders opting in to the scrip alternative. The market value per share at the date of payment was 227.3p per share, resulting in the issue of 7 million new shares, fully paid up from the share premium account. An interim dividend of 2.5p per ordinary share (2016 2.5p) was declared in the period and paid on 3 July 2017. Of the £11m interim dividend, £3m was in the form of the issue of ordinary shares to shareholders opting in to the scrip alternative. The market value per share at the date of payment was 243.2p per share, resulting in the issue of 1 million new shares, fully paid up from the share premium account. The nominal value of the 8 million shares issued in relation to the final and interim scrip dividends is £1m.

The Directors propose a final dividend of 5.0p per share for approval at the Annual General Meeting, which equates to £21m based on the number of ordinary shares in issue at 30 September 2017. The dividend will be paid on 6 February 2018 to shareholders on the register at close of business on 15 December 2017.

4.7 Equity continued

Share premium account

The share premium account represents amounts received in excess of the nominal value of shares on issue of new shares. Share premium of £nil has been recognised on shares issued in the period (2016 £1m).

Capital redemption reserve

The capital redemption reserve movement arose on the repurchase and cancellation by the Company of ordinary shares during prior periods.

Revaluation reserve

The revaluation reserve represents the unrealised gain generated on revaluation of the property estate with effect from 29 September 2007. It comprises the excess of the fair value of the estate over deemed cost, net of related deferred taxation.

Own shares held

Own shares held by the Group represent the shares in the Company held by the employee share trusts.

During the period, the employee share trusts acquired no shares (2016 270,000) and subscribed for 353,025 (2016 268,287) shares at a cost of £nil (2016 £1m) and released 188,586 (2016 477,286) shares to employees on the exercise of options and other share awards for a total consideration of £nil (2016 £nil). The 1,748,942 shares held by the trusts at 30 September 2017 had a market value of £5m (24 September 2016 1,584,503 shares held had a market value of £4m).

The Company has established two employee share trusts:

Share Incentive Plan (SIP) Trust

The SIP Trust was established in 2003 to purchase shares on behalf of employees participating in the Company's Share Incentive Plan. Under this scheme, eligible employees are awarded free shares which are normally held in trust for a holding period of at least three years. After five years the shares may be transferred to or sold by the employee free of income tax and National Insurance contributions. The SIP Trust buys the shares in the market or subscribes for newly issued shares with funds provided by the Company. During the holding period, dividends are paid directly to the participating employees. At 30 September 2017, the trustees, Equiniti Share Plan Trustees Limited, held 1,698,880 (2016 1,530,395) shares in the Company. Of these shares, 553,839 (2016 474,453) shares are unconditionally available to employees, 272,341 (2016 345,674) shares have been conditionally awarded to employees, 842,954 (2016 689,702) shares have been awarded to employees but are still required to be held within the SIP Trust and the remaining 29,746 (2016 20,566) shares are unallocated.

Employee Benefit Trust (EBT)

The EBT was established in 2003 in order to satisfy the exercise or vesting of existing and future share options and awards under the Executive Share Option Plan, Performance Restricted Share Plan, Short Term Deferred Incentive Plan and the Sharesave Plan. The EBT purchases shares in the market or subscribes for newly issued shares, using funds provided by the Company, based on expectations of future requirements. Dividends are waived by the EBT. At 30 September 2017, the trustees, Sanne Fiduciary Services Limited, were holding 50,062 (2016 54,108) shares in the Company.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged future cash flows.

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Retained earnings

The Group's main operating subsidiary, Mitchells & Butlers Retail Limited, had retained earnings under FRS 101 of £2,157m at 30 September 2017 (2016 £2,091m). Its ability to distribute these reserves by way of dividends is restricted by the securitisation covenants (see note 4.2).

5.1 Related party transactions

Key management personnel

Employees of the Mitchells & Butlers Group who are members of the Board of Directors or the Executive Committee of Mitchells & Butlers plc are deemed to be key management personnel. It is the Board who have responsibility for planning, directing and controlling the activities of the Group.

Compensation of key management personnel of the Group:

	2017 53 weeks £m	2016 52 weeks £m
Short-term employee benefits	**2**	3

Movements in share options held by the employees of Mitchells & Butlers plc are summarised in the Report on Directors' remuneration on pages 66 to 87.

5.2 Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Mitchells & Butlers plc is the beneficial owner of all of the equity share capital, either itself or through subsidiary undertakings, of the following companies:

Name of subsidiary	Country of incorporation	Country of operation	Nature of business
Principal operating subsidiaries			
Mitchells & Butlers Retail Limited	England and Wales	United Kingdom	Leisure retailing
Mitchells & Butlers Retail (No. 2) Limited	England and Wales	United Kingdom	Leisure retailing
Ha Ha Bar & Grill Limited	England and Wales	United Kingdom	Leisure retailing
Orchid Pubs & Dining Limited	England and Wales	United Kingdom	Leisure retailing
ALEX Gaststätten Gesellschaft mbH & Co KG	Germany	Germany	Leisure retailing
Midco 1 Limited	England and Wales	United Kingdom	Property leasing company
Mitchells & Butlers (Property) Limited	England and Wales	United Kingdom	Property management
Mitchells & Butlers Leisure Retail Limited	England and Wales	United Kingdom	Service company
Mitchells & Butlers Germany GmbH[a]	Germany	Germany	Service company
Mitchells & Butlers Finance plc	England and Wales	United Kingdom	Finance company
Standard Commercial Property Developments Limited	England and Wales	United Kingdom	Property development
Other subsidiaries			
Mitchells & Butlers Holdings (No.2) Limited[a]	England and Wales	United Kingdom	Holding company
Mitchells & Butlers Holdings Limited	England and Wales	United Kingdom	Holding company
Mitchells & Butlers Leisure Holdings Limited	England and Wales	United Kingdom	Holding company
Mitchells & Butlers Retail Holdings Limited	England and Wales	United Kingdom	Holding company
Old Kentucky Restaurants Limited	England and Wales	United Kingdom	Trademark ownership
Bede Retail Investments Limited	England and Wales	United Kingdom	Non–trading
Lastbrew Limited	England and Wales	United Kingdom	Non–trading
Mitchells & Butlers (IP) Limited	England and Wales	United Kingdom	Non–trading
Mitchells & Butlers Acquisition Company	England and Wales	United Kingdom	Non–trading
Mitchells & Butlers Retail Property Limited[a]	England and Wales	United Kingdom	Non–trading
Mitchells and Butlers Healthcare Trustee Limited	England and Wales	United Kingdom	Healthcare trustee
Standard Commercial Property Investments Limited	England and Wales	United Kingdom	Non–trading
Standard Commercial Property Securities Limited	England and Wales	United Kingdom	Property development
Temple Circus Developments Limited	England and Wales	United Kingdom	Property development
ALEX Gaststätten Immobiliengesellschaft mbH	Germany	Germany	Property management
ALL BAR ONE Gaststätten Betriebsgesellschaft mbH	Germany	Germany	Leisure retailing
ALEX Alsterpavillon Immobilien GmbH & Co KG	Germany	Germany	Property management
ALEX Alsterpavillon Management GmbH	Germany	Germany	Management company
ALEX Gaststätten Management GmbH	Germany	Germany	Management company
PLAN-BAR Gastronomie Einrichtungs GmbH	Germany	Germany	Non–trading
Browns Restaurant (Brighton) Limited	England and Wales	United Kingdom	Dormant

5.2 Subsidiaries continued

Name of subsidiary	Country of incorporation	Country of operation	Nature of business
Browns Restaurant (Bristol) Limited	England and Wales	United Kingdom	Dormant
Browns Restaurant (Cambridge) Limited	England and Wales	United Kingdom	Dormant
Browns Restaurant (London) Limited	England and Wales	United Kingdom	Dormant
Browns Restaurant (Oxford) Limited	England and Wales	United Kingdom	Dormant
Browns Restaurants Limited	England and Wales	United Kingdom	Dormant
Crownhill Estates (Derriford) Limited	England and Wales	United Kingdom	Dormant
East London Pubs & Restaurants Limited	England and Wales	United Kingdom	Dormant
Mitchells & Butlers Lease Company Limited	England and Wales	United Kingdom	Dormant
Intertain (Dining) Limited	England and Wales	United Kingdom	Dormant

a. Shares held directly by Mitchells & Butlers plc.

The registered office for companies operating in the United Kingdom is 27 Fleet Street, Birmingham, B3 1JP.

The registered office for companies operating in Germany is Adolfstrasse 16, 65185 Wiesbaden.

5.3 Five year review

	2017 53 weeks £m	2016 52 weeks £m	2015 52 weeks £m	2014 52 weeks £m	2013 52 weeks £m
Revenue	**2,180**	2,086	2,101	1,970	1,895
Operating profit before adjusted items	**314**	318	328	313	310
Adjusted items	**(106)**	(87)	(58)	(49)	(29)
Operating profit	**208**	231	270	264	281
Finance costs	**(125)**	(126)	(130)	(132)	(130)
Finance revenue	**1**	1	1	1	2
Net pensions finance charge	**(7)**	(12)	(15)	(10)	(11)
Profit before taxation	**77**	94	126	123	142
Tax expense	**(14)**	(5)	(23)	(30)	(14)
Profit for the period	**63**	89	103	93	128
Earnings per share					
Basic	**15.1p**	21.6p	25.0p	22.6p	31.2p
Diluted	**15.0p**	21.6p	24.9p	22.5p	31.0p
Adjusted (Basic)[a]	**34.9p**	34.9p	35.7p	32.6p	32.2p

a. Adjusted earnings per share is stated after removing the impact of adjusted items as explained in note 2.2.

Company balance sheet

30 September 2017

	Notes	2017 £m	2016 (restated*) £m
Non-current assets			
Investments in subsidiaries	5	**1,474**	1,225
Deferred tax asset	9	**56**	66
		1,530	1,291
Current assets			
Trade and other receivables	6	**828**	1,034
Cash and cash equivalents		**1**	–
		829	1,034
Current liabilities			
Pension liabilities	4	**(47)**	(46)
Borrowings	8	**–**	(6)
Trade and other payables	7	**(447)**	(480)
		(494)	(532)
Non-current liabilities			
Pension liabilities	4	**(245)**	(291)
Net assets		**1,620**	1,502
Equity			
Called up share capital	10	**36**	35
Share premium account		**26**	27
Capital redemption reserve		**3**	3
Own shares held		**(1)**	(1)
Retained earnings		**1,556**	1,438
Total equity		**1,620**	1,502

* Investment in subsidiaries and retained earnings have been restated to reflect an impairment of £495m of the Company's investment in Mitchells & Butlers Holdings (No.2) Limited. See note 1.
Pension liabilities have also been reclassified to reflect current and non-current liabilities.

The Company reported profit for the 53 weeks ended 30 September 2017 of £121m (52 weeks ended 24 September 2016 £918m).

Signed on behalf of the Board on 22 November 2017

Tim Jones
Finance Director

The accounting policies and the notes on pages 137 to 139 form an integral part of these financial statements.

Registered Number: 04551498

Company statement of changes in equity

For the 53 weeks ended 30 September 2017

	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
At 26 September 2015	35	26	3	(1)	581	644
Profit after taxation (restated*)	–	–	–	–	918	918
Remeasurement of pension liability	–	–	–	–	(22)	(22)
Deferred tax on remeasurement of pension liability	–	–	–	–	(9)	(9)
Total comprehensive income (restated*)	–	–	–	–	887	887
Share capital issued	–	1	–	–	–	1
Purchase of own shares	–	–	–	(1)	–	(1)
Release of own shares	–	–	–	1	(1)	–
Credit in respect of employee share schemes	–	–	–	–	2	2
Dividends paid	–	–	–	–	(31)	(31)
At 24 September 2016 (restated*)	35	27	3	(1)	1,438	1,502
Profit after taxation	–	–	–	–	121	121
Remeasurement of pension liability	–	–	–	–	8	8
Deferred tax on remeasurement of pension liability	–	–	–	–	(1)	(1)
Total comprehensive income	–	–	–	–	128	128
Share capital issued	–	–	–	–	–	–
Purchase of own shares	–	–	–	–	–	–
Release of own shares	–	–	–	–	–	–
Credit in respect of employee share schemes	–	–	–	–	2	2
Dividends paid	–	–	–	–	(12)	(12)
Scrip dividend related share issue	1	(1)	–	–	–	–
At 30 September 2017	**36**	**26**	**3**	**(1)**	**1,556**	**1,620**

* Profit after taxation for the 52 weeks ended 24 September 2016 has been restated from £1,413m to £918m, reflecting an impairment of £495m of the Company's investment in Mitchells & Butlers Holdings (No.2) Limited. See note 1.

The retained earnings account is wholly distributable after the deduction for own shares.

Notes to the Mitchells & Butlers plc Company financial statements

1. Basis of preparation

Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared under the historical cost convention. The Company's accounting policies have been applied on a consistent basis to those set out in the relevant notes to the consolidated financial statements. There have been no changes to policies during the period. The critical judgements and estimates of the Company are considered alongside those of the Group. The key critical judgements of the Company are related to the selection of the discount rate for the defined benefit pension liability described in note 4.5 of the consolidated financial statements and the selection of discount rate in the investment impairment review in note 5. The key critical estimate for the Company is the estimate of future cash flows in the investment impairment review described in note 5.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange ruling at the balance sheet date.

In accordance with IAS 39, the Company has applied fair value accounting in order to hedge part of its euro loan with Mitchells & Butlers Germany GmbH against part of its investment in Mitchells & Butlers Germany GmbH. On 20 September 2017, Mitchells & Butlers Germany has paid a dividend to the Company which has settled the euro loan. Up to the settlement date, foreign exchange differences arising on translation on both the investment and euro loan were taken to the profit and loss account. At 20 September 2017, the hedge has been de-designated and the part of the investment that had been used to hedge the loan was translated at the exchange rate on that date. No further hedge accounting will be required.

Restatement

Following publication of the Mitchells & Butlers plc Annual report and accounts 2016, the Financial Reporting Council (FRC) wrote to the Company to determine whether an appropriate impairment review had been performed over the Company's investments and intercompany receivables balances, following the restructuring activity during the period. As a result of this request, the Company has performed a more detailed impairment review in respect of the prior period and has determined that there was an error in the previous calculation. This has resulted in the requirement for the Company to impair its investment in Mitchells & Butlers Holdings (No.2) Limited by £495m. The 2016 profit and loss account, balance sheet and statement of changes in equity have been restated to reflect this. Details of the restatement are shown in note 5. This adjustment does not affect the consolidated financial statements.

2. Profit and loss account

Profit and loss account

The Company has not presented its own profit and loss account, as permitted by Section 408 of the Companies Act 2006.

The Company recorded a profit after tax of £121m (2016 £918m (restated as described in note 1)), less dividends of £12m (2016 £31m).

Audit remuneration

Auditors' remuneration for audit services to the Company was £22,000 (2016 £22,000). This is borne by another Group company, as are any other costs relating to non-audit services (see note 2.3 to the consolidated financial statements).

3. Employees and Directors

	2017 53 weeks	2016 52 weeks
Average number of employees, including part-time employees	**2**	2

Employees of Mitchells & Butlers plc consist of Executive Directors who are considered to be the key management personnel of the Company.

Details of employee benefits and post-employment benefits, including share-based payments are included within the Directors' Remuneration Report on pages 66 to 87. The charge recognised for share-based payments in the period is £nil (2016 £nil).

4. Pensions

Accounting policy
The accounting policy for pensions is disclosed in the consolidated financial statements in note 4.5.

Pension liability

At 30 September 2017 the Company's pension liability was £292m (2016 £337m). Of this amount, £47m (2016 £46m) is a current liability and £245m (2016 £291m) is a non-current liability.

The Company is the sponsoring employer of the Group's pension plans. Information concerning the pension scheme arrangements operated by the Company and associated current and future contributions is contained within note 4.5 to the consolidated financial statements on pages 126 to 129.

The pension amounts and disclosures included in note 4.5 to the consolidated financial statements are equivalent to those applicable for the Company.

5. Investments in subsidiaries

Accounting policy
The Company's investments in Group undertakings are held at cost less provision for impairment, except for those amounts designated as being in a fair value hedge.

	Shares in subsidiary undertakings £m
Cost	
At 26 September 2015	1,746
Exchange differences	4
Additions[a]	1,354
At 24 September 2016	3,104
Exchange differences	1
Additions[b]	248
At 30 September 2017	**3,353**
Provision	
At 26 September 2015	30
Impairment of investment in Mitchells & Butlers Holdings (No.2) Limited (restated*)	495
Impairment of investment in Mitchells & Butlers Retail Property Limited[a]	1,354
At 24 September 2016 (restated*)	1,879
Impairment	–
At 30 September 2017	**1,879**
Net book value	
At 30 September 2017	**1,474**
At 24 September 2016 (restated*)	1,225
At 26 September 2015	1,716

* Restated to reflect an impairment of £495m in the Company's investment in Mitchells & Butlers Holdings (No.2) Limited. See note 1.
a. During the prior period, the Company acquired all of the share capital of Mitchells & Butlers Retail Property Limited by way of a dividend in specie of £1,354m from Mitchells & Butlers Holdings (No.2) Limited. Subsequently, Mitchells & Butlers Retail Property Limited made a distribution of £501m to transfer an intercompany loan receivable from Mitchells & Butlers Holdings (No.2) Limited to the Company. A further dividend of £853m was also received by the Company from Mitchells & Butlers Retail Property Limited. Following these distributions, the net assets of Mitchells & Butlers Retail Property Limited were reduced by £1,354m and the Company's investment in Mitchells & Butlers Retail Property Limited was fully impaired.
b. Additions in the period of £248m relate to a capital contribution, in the form of a loan waiver, provided to a subsidiary company within the Mitchells & Butlers plc Group. The intercompany loan was tested for impairment prior to the loan waiver, with no impairment required.

Mitchells & Butlers plc is the beneficial owner of all of the equity share capital of companies within the Group, either itself or through subsidiary undertakings (see note 5.2 of the consolidated financial statements).

Investments have been tested for impairment using forecast cash flows, discounted by applying a pre-tax discount rate of 7.5% (2016 8.3%). For the purposes of the calculation of the recoverable amount, the cash flow projections include 0.0% (2016 1.0%) of growth per annum.

Sensitivity analysis
Changes in forecast cash flows or discount rate could materially impact the recoverability of the investments. It is estimated that: a 1% increase in the discount rate would generate an impairment of £286m; a 10% reduction in future cash flows would generate an impairment of £115m; or a 1% reduction in growth rate would generate an impairment of £326m.

6. Trade and other receivables

	2017 £m	2016 £m
Amounts owed by subsidiary undertakings	**828**	1,034

All amounts fall due within one year. The reduction in amounts owed by subsidiary undertakings is mainly as a result of the loan waiver provided to a subsidiary company during the period (see note 5).

7. Trade and other payables

	2017 £m	2016 £m
Bank overdraft	**28**	28
Amounts owed to subsidiary undertakings[a]	**416**	450
Other creditors	**3**	2
	447	480

a. Amounts owed to subsidiary undertakings are repayable on demand. Interest is not charged on all balances. Where interest is charged, it is charged at market rate, based on what can be achieved on corporate deposits.

8. Borrowings

Accounting policy

The accounting policy for borrowings is disclosed in the consolidated financial statements in note 4.2.

Borrowings can be analysed as follows:

	2017 £m	2016 £m
Current		
Unsecured revolving credit facility	**–**	6
Total borrowings	**–**	6

Unsecured revolving credit facility

The Company holds uncommitted credit facilities of £15m. The amount drawn at 30 September 2017 is £nil (2016 £6m).

9. Taxation

Accounting policy

The accounting policy for taxation is disclosed in the consolidated financial statements in note 2.4.

Deferred tax asset

Movements in the deferred tax asset can be analysed as follows:

	£m
At 26 September 2015	70
Charged to income statement – pensions	(4)
Credited to income statement – tax losses	9
Charged to other comprehensive income – pensions	(9)
At 24 September 2016	66
Charged to income statement – pensions	(6)
Charged to income statement – tax losses	(3)
Charged to other comprehensive income – pensions	(1)
At 30 September 2017	**56**

Analysed as tax timing differences related to:

	2017 £m	2016 £m
Pensions	**50**	57
Tax losses[a]	**6**	9
	56	66

a. Tax losses arising in 2008 which are now recoverable by offset against other income.

Further information on the changes to tax legislation are provided in note 2.4 to the consolidated financial statements.

10. Equity

Called up share capital

Details of the amount and nominal value of allotted, called up and fully paid share capital are contained in note 4.7 to the consolidated financial statements.

Dividends

Details of the dividends declared and paid by the Company are contained in note 4.7 to the consolidated financial statements.

Alternative performance measures

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

The Group's results are presented both before and after separately disclosed items. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides both management and investors with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of separately disclosed items provided in note 2.2.

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

APMs used to explain and monitor Group performance include:

APM	Definition	Source
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Group income statement
Adjusted EBITDA	Annualised EBITDA on a 52 week basis before separately disclosed items is used to calculate net debt to EBITDA.	Group income statement
EBITDA before adjusted items	EBITDA before separately disclosed items.	Group income statement
Operating profit	Earnings before interest and tax.	Group income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group income statement
Like-for-like sales growth	Like-for-like sales growth reflects the sales performance against the comparable period in the prior year of UK managed pubs, bars and restaurants that were trading in the two periods being compared, unless marketed for disposal. Like-for-like sales are measured against relevant accounting weeks in the prior year. Full year like-for-like sales growth is measured on a 53 week basis.	
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 2.5
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.	
Free cash flow	Calculated as net movement in cash and cash equivalents before the movement on unsecured revolving credit facilities.	Cash flow statement

A. Like-for-like sales

The sales this year compared to the sales in the previous year of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. FY 2017 is a 53 week year and the like-for-like measure is presented on a 53 week basis. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals.

	Source	**2017 53 weeks £m**	2016 52 weeks £m	Year-on-year %
Reported revenue	Income statement	**2,180**	2,086	4.5
Less non like-for-like sales	Non GAAP	**(288)**	(202)	
Adjust for 53rd week comparability	Non GAAP	**–**	34	
Like-for-like sales on a 53 week basis		**1,952**	1,918	1.8

B. Adjusted operating profit

Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately identified by virtue of their size or incidence (see note 2.2). Excluding these items allows a better understanding of the trading of the Group.

	Source	**2017 53 weeks £m**	2016 52 weeks £m	Year-on-year %
Operating profit	Income statement	**208**	231	(10.0)
Separately disclosed items	Income statement	**106**	87	
Adjusted operating profit		**314**	318	(1.3)

C. Adjusted earnings per share

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

	Source	**2017 53 weeks £m**	2016 52 weeks £m	Year-on-year %
Profit for the period	Income statement	**63**	89	(29.2)
Separately disclosed items	Income statement	**83**	55	
Adjusted profit		**146**	144	1.4
Weighted average number of shares	Notes to accounts	**418**	413	
Adjusted earnings per share		**34.9**	34.9	0.0

D. Net debt: EBITDA

The multiple of net debt as per the balance sheet compared against 52 week EBITDA before separately disclosed items which is a widely used leverage measure in the industry. Adjusted EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

	Source	**2017 53 weeks £m**	2016 52 weeks £m
Net debt	Income statement	**1,750**	1,840
EBITDA	Income statement	**395**	432
Less separately disclosed items	Non GAAP	**34**	(1)
Adjusted for 53rd week		**(8)**	–
Adjusted 52 week EBITDA		**421**	431
Net debt: EBITDA		**4.2**	4.3

E. Free cash flow

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

	Source	**2017 53 weeks £m**	2016 52 weeks £m
Net decrease in cash and cash equivalents	Cash flow statement	**(11)**	(7)
Net movement on unsecured revolving credit facilities	Cash flow statement	**25**	(31)
Net free cash flow		**14**	(38)

F. FY 2017 52 week reconciliation

A 53 week accounting period occurs every five years. FY 2017 was a 53 week period and therefore presentation of a 52 week basis provides better comparability to previous financial years.

	Source	**2017 53 weeks**	**2017 Week 53**	**2017 52 weeks**	2016 52 weeks	Year-on-year %
Revenue	Income statement	**£2,180m**	**£39m**	**£2,141m**	£2,086m	2.6
Adjusted operating profit	Income statement	**£314m**	**£6m**	**£308m**	£318m	(3.1)
Adjusted PBT	Income statement	**£183m**	**£3m**	**£180m**	£181m	(0.6)
Adjusted EPS	Income statement	**34.9p**	**0.5p**	**34.4p**	34.9p	(1.4)

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From non-UK jurisdictions:
Telephone +44 121 415 7088*

For those with hearing loss, a textphone is available on 0371 384 2255* for UK callers with compatible equipment.

http://www.mbplc.com/investors/contacts/

* Lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays in England & Wales.

Key dates

These dates are indicative only and may be subject to change. For the current status visit the financial calendar on our website at www.mbplc.com/investors

Ex-dividend date (final dividend)	14 December 2017
Final dividend record date	15 December 2017
Announcement of Scrip Reference Share price	21 December 2017
Last date for receipt of Scrip Dividend election forms	16 January 2018
Annual General Meeting	23 January 2018
Final dividend payment date/allotment of Scrip Dividend shares	6 February 2018
Announcement of interim results	May 2018
Interim dividend payment date	July 2018
Pre-close trading update	September 2018
2018 final results announcement	November 2018

Our brands

All of our popular brands have their own websites, helping our customers to find the information they need straight away. Latest food and drink menus, news and offers, email newsletters, online bookings and details of new openings are all available.

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www.dein-alex.de

All Bar One
www.allbarone.co.uk
@allbarone

Browns
www.browns-restaurants.co.uk
@BrownsBrasserie

Castle
www.mbplc.com/findapub

Crown Carveries
www.crowncarveries.co.uk
@CrownCarveries

Ember Inns
www.emberinns.co.uk
@EmberInns

Harvester
www.harvester.co.uk
@HarvesterUK

Innkeeper's Lodge
www.innkeeperslodge.com
@InnkeepersLodge

Miller & Carter
www.millerandcarter.co.uk
@MillerandCarter

Nicholson's
www.nicholsonspubs.co.uk
@Nicholsonspubs

O'Neill's
www.oneills.co.uk
@ONeillsPubs

Oak Tree Pubs
www.mbplc.com/findapub

Premium Country Pubs
www.mbplc.com/findapub

Sizzling Pubs
www.sizzlingpubs.co.uk
@SizzlingPubs

Stonehouse Pizza & Carvery
www.stonehouserestaurants.co.uk
@Stonehousepizza

Toby Carvery
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Vintage Inns
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