Mitchells & Butlers

Annual Report and Accounts 2024

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About us

For over 125 years the Group has been at the forefront of UK drinking and eating out, running many of the UK's most beautiful and iconic pubs and restaurants. We employ over 50,000[a] people in pubs, bars and restaurants that are located across the length and breadth of the UK and in Germany.

We are a leading operator of managed restaurants and pubs with 1,654 largely-freehold managed businesses representing some of the most popular brands and formats in the UK.

Our scale is impressive. In FY 2024 we served over 100 million meals, and around 330 million drinks.

Our strategy remains focused on our three priority areas of building a more balanced business, instilling a commercial culture, and driving an innovation agenda, whilst pursuing our purpose of being the host of life's memorable moments, bringing people and communities together through great experiences.

Financial highlights

Revenue
£2,610m
FY 2023: £2,503m

Statutory operating profit
£300m
FY 2023: £98m

Adjusted operating profit[b]
£312m
FY 2023: £226m

Financial review
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Environmental targets

Net Zero[c]
Greenhouse gas emissions by FY 2040 (Scope 1, 2 & 3)

Zero
Operational waste to landfill by FY 2030

50%
Reduction in food waste by FY 2030

Sustainability targets
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a. As at 28 September 2024.
b. 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 186 to 189 of this report.
c. As defined on page 45.
NB. FY 2023 was a 53-week period.

Mitchells & Butlers at a glance

Our brands

Our balanced portfolio of recognised and diversified brands and formats is loved and trusted by our guests, with 65% home-grown and over 75% in existence for over 20 years.

43 sites
Alex city centre bars and brasseries offer all day menus and drinking across Germany.

46 sites
All Bar One bars are modern and cosmopolitan serving food and drink in bright contemporary environments positioned in city-centre locations.

31 sites
Ego restaurants are Mediterranean-style family restaurants based across the UK. The brand was fully acquired in 2023, having operated as a joint venture since 2018.

149 sites
Ember Inns are local pubs with an individual name offering food with a wide range of cask ales. They are in prominent residential locations.

129 sites
Miller & Carter are steakhouse restaurants offering premium-grade beef. They are designed to be the steak lover's destination for everyday and special dining-out occasions.

81 sites
Nicholson's has been in operation since 1873 and is famous for its extensive cask ale and pie range. Nicholson's sites include examples of historic, authentic pubs in the United Kingdom.

124 sites
Premium Country pubs are a collection of individual pubs situated in both rural and suburban areas. The pubs have contemporary dining rooms and bars and many have terraces for al fresco dining.

89 sites
Stonehouse pubs offer freshly-carved, slow-cooked roasts, and stone-baked pizzas along with other pub classics.

235 sites
Our suburban pubs are typically located in densely populated residential areas and are local community pubs serving 'value for money' food on sizzling skillets.

27 sites
Browns restaurants are mainly located in city centres around the UK and offer casual, elegant, brasserie dining often in landmark architectural buildings.

105 sites
Castle pubs are a collection of eclectic urban pubs, with each pub having an individual character to suit its community. The pubs are located in city and suburban areas.

151 sites
Harvesters are pub restaurants in suburban roadside locations, principally targeting families. They are well-known for spit-roast chicken, smoked ribs, burgers and the salad cart.

67 sites
Our High Street pubs are unique, individual pubs located in high footfall locations in cities and towns throughout the UK. The pubs offer music, sport and enjoyable hospitality at competitive prices points.

40 sites
O'Neill's are Irish bars located in city and town centres as well as on suburban high streets. O'Neill's offers live sports and, in larger sites, entertainment through music rooms.

10 sites
Located in the North West and Midlands, Pesto offers authentic and freshly prepared Italian small plates at sensible prices in an informal, relaxed setting.

151 sites
Toby Carvery is one of the leading brands in the UK carvery sector. It aims to offer a good value and varied menu of roasts from its famous carving deck. The sites are generally in suburban roadside locations.

176 sites
Vintage Inns are traditional country pubs serving freshly cooked food with a wide range of beers, spirits and great wines at fair prices.

Our value proposition

Our business has unique strengths that enable us to create value for our stakeholders.

Our performance

We are a highly cash generative business with a long-term strategy to transfer debt to equity as debt is paid down.

£62m
of cashflow generated in FY 2024

Our property

We have a freehold estate of large, well-positioned pubs and restaurants with high amenity levels.

83%
of pubs freehold and long leasehold with major investment planned every seven years

Our brands

We have a diversified portfolio of proven, established brands.

65%
home-grown and over 75% in existence for over 20 years

Our people

We have a proven senior management team and depth of talent.

Highest-ever employee engagement scores.

Our people

Our people are fundamental to the delivery of great experiences for our guests

50,000+
Employees making us one of the largest employers in the industry

17%
Retail staff turnover reduced by 17 percentage points to 64% due to the effective delivery of our People Promise

1,600+
Apprentices currently in learning

Employees
Go to page 31

The Belvedere Arms, Sunninghill

PREMIUM Country PUBS

Miller & Carter steakhouse, Stevenage

MILLER & CARTER - STEAKHOUSE -

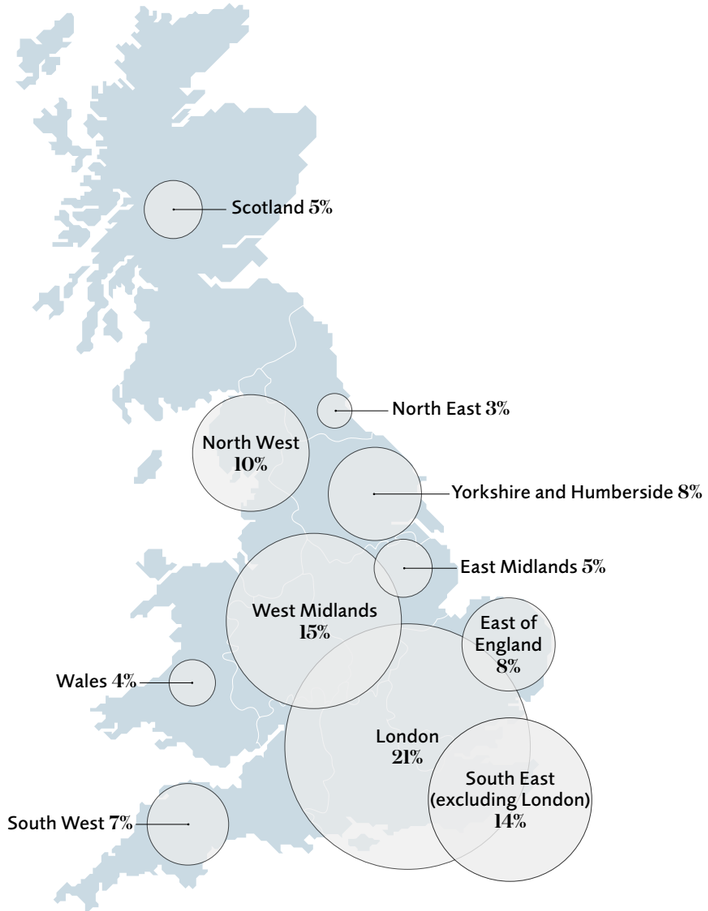
Our pubs

1,654
managed businesses with favourable spread of locations, price points and occasions. This leaves the business well-hedged against changes in consumer taste

The Clachan, Kingly Street, London.

NICHOLSON'S ALE & GIN ESTABLISHMENTS SINCE 1873

UK sales by region (FY 2024)



Welcome to Mitchells & Butlers

Our purpose is to be the **host** of life's **memorable moments**, bringing **people** and **communities** together through **great experiences**.

We are delighted to report that our continued like-for-like sales outperformance against the market, coupled with easing inflationary costs and focus on efficiencies, has resulted in strong profit growth this year.

We remain committed to our Ignite programme of initiatives and our successful capital investment programme, driving further cost efficiencies and increased sales. We have confidence that continued focus on effective delivery of our strategic priorities will generate further value from our enviable estate portfolio and customer offers and give us a strong foundation for continued longer-term outperformance.

Sustainability and respect for the environment remain central to everything we do, with some notable progress during the year, including investment in removing gas as an energy source from our estate as well as a significant reduction in waste to landfill.

Our purpose is to be the host of life's memorable moments, bringing people and communities together through great experiences. Over the next few pages, we examine this purpose in detail, breaking it down into its constituent parts and exploring how our teams' commitment to customer service delivers to our guests day-in day-out.

Phil Urban
Chief Executive

Our purpose is to be the host...

Delighting our guests every time they visit us

Our skilled teams host a wide range of occasions and experiences across our brands, and understanding our guests' individual needs is central to providing great experiences. Our teams' focus is on delighting our guests every time they visit us, supported by a number of central initiatives to enhance guest experience.

Our recruitment, at every level, seeks to discover those with the skills to provide a welcoming environment for our guests and then to take responsibility for the guest experience from start to finish. In addition, our training helps to develop those innate skills further, with rewards for those who consistently score highly on guest review scores. Supporting our operational teams, is an investment programme that ensures not only that we are exposed to the right market segments based on location, site characteristics and local demographics but that our businesses are safe, reduce their impact on the environment and remain competitive for our guests.

Delighting our guests is as much about culture and mindset as it is about specific procedures, with our high guest review scores and consistent like-for-like sales growth representing a tangible testament to the work our teams continue to devote to this priority.

41
Initiatives in place currently to improve guest experience

4.5
Average guest review score out of 5

5.3%
Like-for-like sales[a] growth

Our General Managers have responded directly to feedback from guests during the year taking responsibility, driving improvements and building relationships

195
Investment projects in FY 2024

£154m
Invested in our estate in FY 2024

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 186 to 189 of this report.

# of life's memorable moments...

£33m+
of sales over the three main trading days of Christmas this year

960k+
main meals sold over the Mother's Day weekend this year

What makes an experience memorable

Our people, pubs, and restaurants are here to make sure every memorable moment our guests celebrate with us is met with excellent service. This covers a huge variety of occasions from birthdays, to Mother's Day, to Christmas, to leaving parties, to reunions after a period apart... or indeed just a much-anticipated night out with close friends.

Whatever the occasion, all our brand offers are informed by guest insight to ensure we provide environments and menus which create memorable moments for our guests.

Our marketing teams support our pubs and restaurants through tailor-made menus and promotions to enhance the customer experience and drive sales. Our understanding of how best to achieve this grows year-by-year through our analysis of sales data and customer feedback, with the aim that we are constantly improving everything we do to further delight our guests.

Harvester hosted a Big Christmas Party on Thursday 12 December with our customers enjoying a sprinkle of Harvester magic thanks to a 3-course festive menu coupled with a complimentary glass of fizz.

bringing people and communities together...

We understand the importance of protecting communities and the environment around them

Our businesses have long been a hub for local communities to gather, providing intangible benefits beyond the core offer of food and drink.

Our pubs, bars and restaurants act as a meeting place, in the heart of the community, where people of all backgrounds can socialise. We believe that this sense of community is as important now as it ever has been and is an important consideration in the evolution of our brand offers.

We take our responsibility to the communities we serve seriously, and have developed a plan, as part of our sustainability strategy, to increase the positive effects we have on society and the communities we work in and reduce the negative impact we have on the environment.

Further details on how we aim to achieve this through offering employment opportunities to people impacted by homelessness, fundraising, and supporting the provision of food to homeless people, along with various examples of our work in FY 2024, can be seen overleaf.

£200k+
raised for Social Bite from the Festival of Kindness

16
tonnes of unavoidable surplus food, equivalent to 38,000 main meals, donated to 732 charities via FareShare in the year

726k
meals redistributed through Too Good To Go

98%
of operational waste diverted from landfill in FY 2024

Social Bite

Charitable partnerships

Caring for the community is one of three pillars of our company sustainability strategy, with charitable partnerships being an important element of that work. The community pillar aligns with the 'Social' aspect of our Environmental, Social and Governance strategy.

In 2019 the Company identified homelessness as a cause with close links to the business, given hospitality's historical role of providing warmth, sustenance and shelter to the public, and given the issue of homelessness in the many city centres in which we operate.

Over the past four years we have developed a strong partnership with Social Bite. To maximise the impact of this partnership, this year Social Bite became our charitable partner both at a corporate and a brand level.

Social Bite's size makes it an effective partner as we can create a genuine partnership, where we can make a material difference to Social Bite's impact, and there is significant potential for our employees to benefit directly through involvement in joint activity, enhancing our employer proposition.

We believe that there is significant scope to build the partnership in the future with three main focuses:

1) Food and drink provision – our fundraising efforts support the provision of food and drink to people impacted by homelessness through Social Bite's network of partner charities throughout the UK.

2) Jobs first programme – we have employed 26 people to date from Social Bite's academy through the established programme. Taking the learnings forward we believe there is significant scope to grow the programme and we are funding a new role within Social Bite focused entirely on placing people impacted by homelessness into Mitchells & Butlers roles and supporting them through the first months of their employment.

3) Help in the development of a new 'village' – Social Bite have one homelessness village where they offer housing and support to those impacted by homelessness in Edinburgh with two more underway. Our long-term ambition is to support the development of a village in England.

SOCIAL BITE

Festival of Kindness

In December 2023, for the fourth year running, Social Bite ran a UK-wide relief effort called the Festival of Kindness. Its aim was to provide essential support and bring some festive cheer to people experiencing hardship through the winter. Supporters were asked to donate money, goods and time to provide hundreds of thousands of Christmas meals, winter food packs, gifts and essentials to people experiencing homelessness and poverty across the UK.

Social Bite directly provided 680 Christmas dinners for people who were homeless on Christmas Eve and Christmas Day, and provided an additional 166,000 meals, wrap-around support and a sense of community over the winter months across the UK, both directly through their social business coffee shops, and through a network of charity partners and grassroots organisations.

For the first time since our partnership began in 2020, all four divisions and their brands took part, with 1,500 venues across the UK inviting and facilitating guests to add a donation to their bill throughout December resulting in over 34,000 meals being provided through Social Bite's coffee shops as a result of our donations.

100-mile challenge

In September, almost 3,500 of our employees covered over 100,000 miles as part of the 100-mile challenge for Social Bite in just 30 days, raising over £113,000 for the movement to end homelessness.

From treasure hunts and paddleboarding to fancy dress walks featuring Willy Wonka and the Oompa Loompas, each team contributed in their own unique way!

Some even went the extra mile, like Joe, a team coach at the Tudor Rose in Coulsdon, London, who completed a marathon every week throughout September, raising £1,400. Another team cycled all the way from Birmingham to London, visiting every Nicholson's pub along the way.

through great experiences

4.5
Average guest review scores out of 5 in the year

61%
of General Managers promoted through internal succession

1,600+
apprentices currently in learning

-17%pts
Retail staff turnover reduced this year

High
Team engagement at record highs

We have a team of passionate, dedicated, knowledgeable and capable people, critical to delivering outstanding experiences

Eating and drinking out remains the affordable luxury that many consumers are happy to continue to prioritise. We operate in a highly-fragmented market, with significant opportunity to grow market share by offering the right mix of food, drink, amenity and service.

Our sector is focused on creating affordable experiences that can't be replicated at home whilst delivering high levels of customer service. We have a team of passionate, dedicated, knowledgeable and capable people critical to delivering outstanding experiences to our guests as well as a diverse portfolio of brands and formats delivering specific offers to suit a range of occasions. We invest in training to ensure our people achieve their potential through avenues such as apprenticeships, training programmes to promote internal progression, and a gamut of on and off-job training to ensure we provide food and drink excellence safely.

As ever, high-quality food and drink, served by an engaged team, in an appealing environment remain key elements to providing our guests with memorable experiences, alongside the highest safety standards. We continually assess changing guest preferences to position our brands for success. To achieve this, we build partnerships with suppliers to develop innovation sustainably in the supply chain, leveraging our scale to increase choice and quality whilst reducing the environmental impact of the food and drinks we serve.

Chair's statement

"The successful implementation of our strategic priorities by our proven management team has delivered a year of strong growth and performance."

Bob Ivell
Chair

We are delighted with the performance over the last financial period, with like-for-like sales continuing to outperform the market, coupled with strong cost control, combining to deliver notable year-on-year profit growth. We have also achieved exceptional people metrics, which reflects the depth of talent in the organisation, and are delivering on guest expectation, with strong guest scores across the brand portfolio.

Our investment programme is keeping our brands fresh, relevant and highly competitive; and Ignite, our transformation programme, gives us a roadmap of initiatives that will continue to drive improvement across every aspect of the business, meeting the consumer trends that we have identified.

Whilst we continue to face cost headwinds, especially relating to employment, we remain well placed to continue to move the business forward whilst ensuring that guest experience remains at the heart of everything we do.

Our purpose

During the period, our purpose to be the host of life's memorable moments, bringing people and communities together through great experiences, remains unchanged. Our brands' outperformance of their peers is testament to our success in its delivery.

To support this purpose, at a corporate level, we have strived to enhance our social impact through financial and practical support to our partner Social Bite, a social enterprise tackling homelessness in the UK. Of particular importance is the Jobs First programme, helping people back to independence through long-term employment opportunities. To date this has employed and supported 26 people into full employment in our business. We are ambitious to grow this partnership further and enhance our positive social impact over the coming years.

We are committed to reducing the environmental impact of our business and the Board has set challenging targets to drive continued momentum in this area. We were delighted to receive Science Based Targets initiative validation for our Net Zero plans in January 2024. Amongst other initiatives we continue to develop our understanding of strategies to remove gas from operations, all to deliver targets.

Our culture

Our people are fundamental to the delivery of great experiences for our guests. We are delighted with the strength of the people metrics delivered in the year. Engagement scores have continued to improve across all employee groups, and turnover rates are at record lows. These metrics reflects the depth of talent across the organisation and the commitment of our teams to work together to drive the future success of the business.

I would like to thank all of them, for all they have done for our guests and our business.

Our values

The values we hold ourselves accountable to across the business are Passion, Respect, Innovation, Drive and Engagement. We believe that these foster the culture and environment needed to enable our people to work collectively, and in union with our stakeholders, to support our purpose.

Our pensioners

With both of our main pension schemes now in buy-in or buy-out they are fully funded and the need for further contributions has ceased. This positive development reflects our commitment to our pensioners both now and into the future and has substantially eliminated all remaining pensions risk in the Group.

Our Board

There have been no changes to the Board membership during the year. I believe we have a group of Non-Executive Directors with the complementary blend of knowledge and experience to lead the business successfully.

Further detail on the operation of the Board in the year can be found in the Governance section which starts on page 59.

Bob Ivell
Chair
Mitchells & Butlers plc

"Our people are fundamental to the delivery of great experiences to our guests. We are delighted with the strength of the people metrics delivered in the year."

Chief Executive's business review

"We focus on maximising the value generated from our 83% freehold and long leasehold estate, utilising the diversity of our brand portfolio to grow market share across a broad range of consumer occasions, demographics and locations."

Phil Urban
Chief Executive

Business review

Persistent inflation over the past two years has put pressure on the hospitality sector as while the worst of the pandemic-related disruptions have eased, rising costs in food supply chains, energy, and labour which followed have impacted margins. Looking forward costs in general are abating, with the notable exception of wages, which continue to rise sharply based on increases both in the statutory National Living Wage and the level of Employer National Insurance contributions. The resulting widespread and unavoidable increase in prices has made eating out a more considered choice for many households and the culmination of these pressures has been net closures of 1% in the year to June 2024[b]. Despite these pressures, Lumina reported sales growth in the pubs, bars and restaurants market of 1.5% in 2024, with managed groups outperforming and delivering growth of 2.9%. With positive indications of increasing disposable income in recent months as inflationary pressures on households ease[c] sales growth for the sector is expected to remain resilient in the year ahead with forecast growth for managed pubs, bars and restaurants of 2.6%, driven by price and spend per head with volumes anticipated to be in low single digit decline.

Against this backdrop total sales across the period were £2,610m reflecting 6.1% growth on FY 2023, on a 52-week basis. Like-for-like sales[a] increased by 5.3% with strong performances through the brand portfolio and continued outperformance against the market as a whole. Operating profit, after separately disclosed items, of £300m reflects a notable recovery from last year (FY 2023 £98m) built on this strong sales performance coupled with falling cost inflation. Adjusted operating profit[a] of £312m represents a £91m increase in profitability from last year, on a 52-week basis.

We made a very good start to the year with like-for-like sales[a] growth of 7.2% over the first seven weeks. Strong trading over the important festive period then led to an acceleration of like-for-like sales[a] growth over the latter half of the quarter to 8.2%, resulting in overall like-for-like sales[a] growth for the quarter of 7.7%.

Sales remained strong through the second quarter particularly on key trading dates. Across the quarter, we recorded like-for-like sales[a] growth of 6.1%, comprising drink sales growth of 5.3% and food sales growth of 6.6%, benefiting from the movement of Easter forward from the third quarter in the prior year.

Over the third quarter like-for-like sales grew by 3.4%, adversely impacted by the movement of Easter, the easing of the inflationary environment and a period of generally wet weather. In the fourth quarter sales grew by 3.4%, having been negatively impacted by riots in city centres during August, as well as an unseasonably cool and wet summer.

Throughout the year we have consistently outperformed the market, as represented by the CGA Business tracker, by c.2ppts.

Overall cost inflation abated through the financial year. Whilst the recent level of statutory National Living Wage increases (effective in April each year) has been relatively high at approximately 10%, other costs have generally returned to more normalised levels and gas and electricity costs in particular have been in deflation. Strong and resilient sales growth combined with effective cost efficiency initiatives and abatement in overall cost inflation has driven a marked increase in profitability.

Our strategic priorities

Our strategic pillars, which provide the foundation for our performance, remain consistent:

- Build a more balanced business
- Instil a commercial culture
- Drive an innovation agenda

We focus on maximising the value generated from our 83% freehold and long leasehold estate, utilising the diversity of our brand portfolio to grow market share across a broad range of consumer occasions, demographics and locations.

Our Ignite programme of work remains at the core of our long-term value creation, with a range of initiatives underway focused on driving sales and delivering cost efficiencies. During the year we have successfully deployed 'My Account' across multiple brands, providing guests with a single platform to manage their bookings, orders and offers. This has led to a notable rise in customer engagement, particularly among younger guests, and positions 'My Account' as a key platform for future interactions as customer behaviours evolve. In addition to digital solutions, we remain focused on delivering excellent guest experiences and equipping our managers with the skills to drive the sales of their businesses. A specific focus during the year has been enhancing dish availability, a key consideration in guest experience, using technology to more accurately forecast sales which inform orders and provide guidance to kitchen teams on the optimal volume of food to prepare to satisfy demand. The benefit of these initiatives is reflected in sustained like-for-like sales[a] growth across our brand portfolio as well as continued market outperformance on guest review scores, which averaged 4.5 out of 5.

Alongside driving sales, we have a range of initiatives focused on enhancing productivity and efficiency to help mitigate inflationary costs. Driving a reduction in our energy consumption remains a priority, both to improve efficiency and to support our sustainability objectives. During the year we achieved a further 2% reduction in overall energy usage, aided by investment voltage optimisers and solar panel roll out. After a successful trial we are also now rolling out the use of remote control in-site energy monitoring systems. Remote control of heating, for example, provides a significant opportunity to reduce consumption whilst also relinquishing our managers of one of their many daily tasks, allowing them to focus on guests.

During the year we held a number of events, gathering different cohorts from various levels across the organisation, to generate fresh ideas for the next wave of Ignite initiatives to launch in FY 2025. These sessions successfully identified numerous new opportunity areas, as well as additional value to be realised through improving the effectiveness of existing work streams.

Our capital programme continues to deliver value through improving the competitive position of our pubs and restaurants within their local markets. Over the last year, we have completed 195 investment projects comprising 178 remodels, 11 conversions and 6 acquisitions. We are continuing to see strong performances from our investment projects, with remodel returns for projects completed in the year of 37%, and remain focused on re-establishing the target 7-year investment cycle which was interrupted by Covid-19.

In June 2023 we completed the acquisition of the remaining 60% stake in 3Sixty Restaurants Limited, owners of Ego Restaurants, having acquired the initial 40% stake in August 2018. Ego is a collection of Mediterranean-inspired pubs and restaurants where guests can enjoy freshly cooked food, cocktails, cask ales and wine from across the continent. The process of integrating Ego is making good progress, with all sites having now moved onto our systems and processes. During the first half of FY 2024 we are starting to leverage the brand internally and have converted 5 of our existing sites to the Ego offer, with average sales doubling following conversion. We anticipate conversion of a further 5–10 sites in FY 2025.

In May 2024 we completed the acquisition of Pesto Restaurants. Pesto delivers an Italian tapas offer across its ten strong estate which is designed to create informal social and interactive experiences, based on sharing with friends and family. Pesto compliments the Mediterranean theme of Ego and together they provide further diversification of the estate with a low meat offer which appeals to the health-conscious guest. The consideration payable for the business is partly contingent on its performance over the first year of trading under our ownership, but is not expected to be more than £15m.

Chief Executive's business review continued

People

Our people are fundamental to the delivery of great experiences for our guests. As such we are delighted with the progress made across our people measures during the year, which reflects our continuous focus on engagement, recruitment and retention. Engagement scores have continued to improve across all employee groups with record scores in our most recent employee survey. Turnover has also continued to improve, reaching record lows of 64% (FY 2023 81%), meaning that we are retaining our talent, building more experienced teams, and reducing the cost associated with the induction and training process. In addition, our internal succession rates have increased with 61% of General Manager positions filled internally (FY 2023 53%), reflecting our commitment to team member progression and development.

Apprenticeships continue to be an integral part of our retention and succession strategy, with evidence that people who complete apprenticeships are more likely to stay with us and to be promoted. We remain committed to delivering high quality apprenticeship opportunities both to new starters and existing employees and welcomed over 1,600 new joiners to the programme this financial period. We are particularly proud of our culinary apprenticeships, which continue to receive excellent feedback from learners, providing a pipeline of talent to a more challenging area for recruitment, as well as a valuable career opportunity with above industry level enrolment for 19–24-year-olds. We are delighted that our apprentice programmes were recognised at the December 2023 National Apprenticeship awards, winning the award for Best Large Employer.

Sustainability

We are committed to reducing the environmental impact of our business and the Board has challenging targets to drive continued momentum in this area. We have committed to:

- **Net Zero emissions by 2040, including Scope 1, 2 & 3**
  Progress: During the year we reduced our emissions by 14% from our 2019 baseline year, a year-on-year improvement of 3 ppts. Scope 1 & 2 emissions reduced from the baseline by 18% (FY 2023 13%) driven primarily by the energy consumption reduction initiatives, and the systematic removal of gas from the estate. In the year we have made good progress in our efforts to reduce gas as an energy source with 60 electrified kitchens, and five sites where gas has been fully removed, and replaced by air source heat pumps as an alternative for heating. We have plans to considerably expand this programme in FY 2025. Scope 3 emissions reduced by 14% with significant progress made in the reduction of emissions associated to the products we buy, including food, as well as transport emissions in our supply chain.
- **Zero operational waste to landfill by 2030**
  Progress: We now divert over 98% of waste from landfill and are confident of achieving our target ahead of 2030. In addition, we have maintained recycling rates at 59% with enhanced segregation and a focus on engagement and behaviour change in sites.
- **50% reduction in food waste by 2030**
  Progress: We have successfully reduced our food waste by 23% from our 2019 baseline, with progress both in sites and in the supply chain. We are focused on operational practices to reduce waste, and have effective partnerships in place with Fareshare and Too Good To Go to redistribute unavoidable surplus food.

Our sustainability strategy also has a strong focus on the positive impact we have on people and communities, and we are proud to partner with Social Bite, a homelessness charity. Of particular importance is the Jobs First programme, helping people back to independence through long-term employment opportunities, which to date has employed 26 people from their academy. This year we funded the establishment of a new role within Social Bite, focused solely on placing people impacted by homelessness into Mitchells & Butlers roles and supporting them for the first year of employment. We see considerable scope to grow this partnership and enhance our positive social impact over the coming years.

Current trading and outlook

Sales growth remained strong over FY 2024, with consistent market outperformance. As we move into FY 2025 we expect more normalised levels of sales growth as the inflationary environment eases. The current underlying run rate of like-for-like sales[a] growth, as measured across the first seven weeks of the new financial year, is 4.0%.

Cost headwinds are now anticipated to total c.£100m this financial year, an increase of just over 5% on our current cost base. Against a benign backdrop of general inflation (including food and drink inputs), by far the most significant increase is now expected to be in relation to labour costs due both to increases in the statutory National Living Wage and in the recently announced increase in Employer National Insurance contributions, both of which take effect from April 2025. We anticipate that energy costs this year, of which just over one half have been bought forward, will broadly stabilise overall with no further deflation, as has been seen in FY 2024.

Notwithstanding future cost increases we feel that the business is in very good shape. Our balance sheet continues to strengthen, with reduced debt and a substantially de-risked pension surplus, and we expect to outperform the market driving further profit growth in the year ahead.

Phil Urban
Chief Executive
Mitchells & Butlers plc

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 186 to 189 of this report.
b. CGA Hospitality Market Monitor, August 2024.
c. Asda Income Tracker

Our markets

Trading in the eating-out sector has remained resilient during a challenging period for the consumer.

Performance across the market over the period reflects resilience amid challenging conditions, particularly high inflation, the cost-of-living crisis, and fluctuating consumer confidence.

The persistent inflationary environment has continued to put pressure on both businesses and consumers and while the worst of the pandemic-related disruptions have eased, the rising costs in food supply chains, energy, and labour which followed have impacted margins. The resulting increase in prices across the industry has made eating out a more considered choice for many households and the culmination of these pressures has been net closures of 1% from June 2023 to June 2024[a].

Despite these pressures, Lumina reported sales growth in the pubs, bars and restaurants market of 1.5% in 2024, with managed groups outperforming and delivering growth of 2.9%[b]. With positive indications of increasing disposable income in recent months as inflationary pressures on households ease (Asda Income Tracker[c]) sales growth for the sector is expected to remain resilient in the year ahead with forecast growth for managed pubs, bars and restaurants of 2.6%.

We have identified five key Consumer Trends evolving in the post-Covid world which we believe will shape the future development of the market:

a. Value Scrutiny

As a result of the cost-of-living squeeze, the consumer is ever more precious about their leisure time and how they spend their leisure pound. Frequency of visit is down, but when people are out, they are willing to opt for a premium experience, but are less forgiving when the operator gets things wrong.

The other component of value is of course price; it is therefore critical to remain structured and systematic in the way we take price by product and by business, with decisions based on regular peer group price surveys, remaining acutely aware of market and product relativities, and on price elasticity.

b. Premiumisation & Experience

The second key trend we see is around premiumisation and experience, which recognises the growing importance of quality in all that is done for the guest and the need to provide a better overall experience, not just stopping at good food and beverage. Having a great environment and great standards has never been more critical to success. We believe that successful operators will be those that have the courage and financial capability to invest to transform the image of their offers, premiumising as they do so, and driving higher spend as a consequence.

However, premiumisation and experience are not solely about capital, it is also about having the operational ability to design experience-led events and offers that appeal to a more discerning guest.

c. Technology & Data

The third key trend that we see is around the use of technology and data. It is fair to say that we have never had as much access to data as we do today, and our guests have never been more comfortable engaging with technology than they are today.

The challenge is to use that data to personalise communication with our guests, and to improve their interaction with technology platforms. To achieve this, there will need to be continual investment in ever-more sophisticated CRM systems.

d. Health & Wellbeing

The fourth key trend we see is around health and wellbeing, which has been a theme for several years, but which we believe will continue to strengthen. Consumers are increasingly interested in, and knowledgeable about, nutrition and in managing their weekly approach to diet. We do not believe that this means that people will reject alcohol, red meat, and desserts but they do want to know what they are consuming and want to have choice throughout the week.

e. Sustainability & Conscientious Consumption

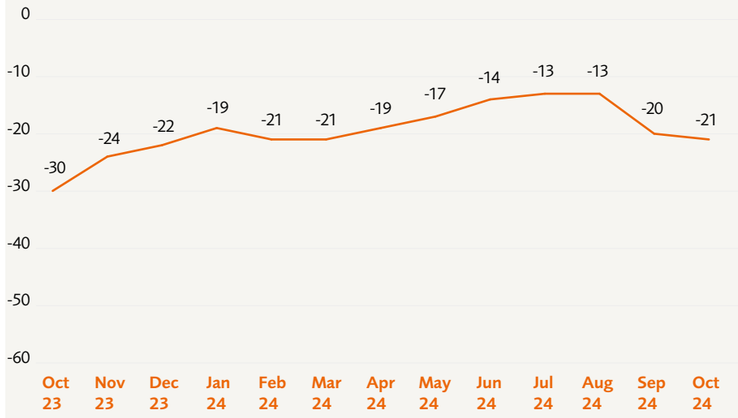
The final trend that we see is around sustainability and conscientious consumption. There is no doubt that sustainability has risen sharply in terms of awareness across the UK, but currently there is less evidence yet of a change in behaviour of our guests in terms of how they spend their money, and certainly less appetite to pay for more sustainable choices. However, this trend is growing and we feel that we need to keep progressing, as the consumer will, at some time in the future, start to favour those businesses that are 'greener' across the spectrum.

Looking ahead, the market's outlook remains cautiously optimistic. While economic conditions are likely to remain challenging in the short term, continued innovation in menu offerings, sustainability, and digital transformation will be critical in driving long-term growth. Operators that can balance cost pressures with consumer demand for affordability and experience will be well-placed to capitalise on opportunities in the coming years. Longer term, Lumina Intelligence[c] forecasts that the UK Eating Market will grow at c.2.4% p.a. over the next three years. Whilst they use a broad market definition, with coffee shops and fast- food predicted to be the leaders, Lumina also acknowledges that branded restaurants will continue to outperform, at the expense of independent operators in particular.

In conclusion, the UK eating out market in 2024 reflects a sector that is adapting to both economic constraints and evolving consumer preferences. With resilience, innovation, and a focus on sustainability, the market has the potential to remain a vibrant part of the UK economy.

Our response to this competitive environment can be seen on pages 34 and 35 in our strategic priorities.

UK Consumer Confidence Index



Source: GfK Consumer Confidence Index

Asda Income Tracker (year-on-year percentage change)

Source: Asda Income Tracker July 2024

Sources:
a. CGA Hospitality Monitor, August 2024.
b. Lumina Intelligence UK Menu & Food Trends Report December 2023.
c. Asda Income Tracker, September 2024.

Our business model

The Mitchells & Butlers difference

In this section, we outline the distinctive characteristics of Mitchells & Butlers that enable us to create value for our stakeholders – be they financial, structural, environmental or cultural.

Financial

- Long-term transfer of value to equity as debt is paid down
- Strategy designed to generate sustainable growth and to provide flexibility in uncertain trading environments

Financial review
Go to pages 56 to 58

Environmental

- Our sustainability strategy is designed to create a positive effect on people and communities and to reduce the negative effect of our operations on the environment

Our sustainability targets
Go to pages 38 and 39

The Mitchells & Butlers difference

Structural

- Our diversified portfolio of leading brands and offers caters for various demographics and disposable income levels making us less susceptible to short-term changes to industry trading conditions
- We are a predominantly freehold business with well-invested properties
- As one of the largest operators we benefit from economies of scale driven by our central functions
- We understand our guests and have the systems in place to receive and react to their changing needs to evolve our offers

At a glance
Go to pages 2 to 5

Cultural

- We have a defined purpose supported by our PRIDE (Passion, Respect, Innovation, Drive, Engagement) values
- Our people strategy encompasses a structured approach to recruitment, retention, development and engagement
- We have a team of dedicated, knowledgeable and capable people who are critical to delivering outstanding experiences to our guests

Our business model

How we create value

Our business model is driven by our understanding of our guests and our ability to evolve our brands and offers to reflect changes in their needs.

Critical to the delivery of our offers is the quality of our people, supply chain, estate and central functions, which provide the infrastructure through which our brands deliver memorable moments to our guests.

Our success in creating these moments consistently, safely and profitably creates long-term value for our stakeholders.

1

Our experience and ability to interpret guest feedback help us understand what our guests want.

2

Understanding what our guests want influences every element of our brands and offers.

3

Everything we do is...

Run by our people...

+50,000*

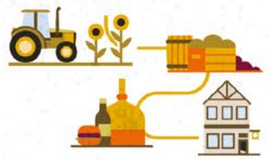
Employees

* As at 28 September 2024.

Supplied by our supply chain...

+1,800

Suppliers



Realised within our estate...

1,726

Pubs, bars and restaurants

Supported and managed by our central functions...

- Finance and Technology
- Human Resources
- Legal and Risk
- Marketing
- Procurement
- Property

4

The combination of our brands, people, supply chain, estate and central functions creates memorable moments for our guests.

5

Creating memorable moments generates value for stakeholders.

Everything we learn about our guests' requirements is fed back.

Suppliers | **Guests** | **Employees** | **Local community** | **Environment** | **Investors**

Value creation story

FY 2024 highlights

Suppliers

Our annual supplier conference allows us to communicate our business and sustainability priorities direct to our suppliers

Our centralised procurement team has developed strong relationships which have enabled us to minimise the impact of any supply chain disruptions

FareShare
fighting hunger, tackling food waste

Donated unavoidable surplus food in the supply chain in partnership with FareShare

Our suppliers provide the products which bring our brand visions to life. Our guests' tastes are continuously evolving and our ability to meet changing preferences at scale sets us apart from our competitors.

We build long-term and collaborative partnerships with our suppliers. We work closely with suppliers to ensure the needs of both businesses are met, and to ensure relationships are maintained. By working together, we can develop new and innovative products with suppliers which help our brands adapt and evolve, building both of our businesses. Through these partnerships, we work to maintain transparency about our payment terms.

We work with suppliers to understand the environmental impact of our supply chain and to minimise the negative impact of production and transportation. We are working to ensure that all our suppliers can support our sustainability ambitions, including prioritising high animal welfare standards. Further detail on our sustainability strategy can be seen on pages 38 and 39.

Guests

4.5

Online review score of over 4.5 out of 5 across the business

99.6% of outlets with safety scores of 4 or 5 out of 5

The satisfaction and enjoyment of our guests is critical to the success of our business. We always aim to exceed guests' expectations and continually evolve our offers with that objective in mind.

We collate guest feedback through online channels and via our brand surveys which is reviewed centrally and used to provide valuable insight to both our operations and brand marketing teams.

We have always strived to achieve high safety and hygiene standards and have used this strong base to evolve our ways of working for the challenges we face. We focus on ensuring high-quality, consistent practices across the business. We constantly review the new procedures to ensure that both high safety levels and guest satisfaction can be achieved.

As ever, high-quality food and drink, served by an engaged team, in an appealing environment remain key elements to providing our guests with memorable experiences, alongside the highest safety standards. We regularly assess changing guest preferences across these areas to position our brands for success.

Employees

Growing and developing our internal talent is a priority to address talent shortages

Innovative recruitment and attraction solutions ensuring the right people join our business

Employee wellbeing has never been more important

The following table sets out our diversity balance between men and women at the end of FY 2024.

	Men	Women
Board Directors	7	2
Other senior managers	30	13
All employees	24,346	26,462

Our people are central to our business, bringing brand visions to life through engaging interaction with our guests and preparation of high-quality food and drink.

Through our open and inclusive culture, we aim to create an environment which allows our people to develop and grow. Recruiting effectively is important as it ensures that we attract the right people that will thrive in our organisation. Increasingly, technology can be helpful in supporting our recruitment activity, and enables us to market our job opportunities effectively in a very competitive environment.

We are proud of the learning and development opportunities we offer and strive to provide progression opportunities to all our people. Over the past year we have increased the number of people promoted internally, particularly at the frontline.

Regular development catch ups are held throughout the year to support employees' progression and personal development.

We have two formal feedback surveys a year providing the opportunity to gain insight into employee satisfaction and to highlight opportunities to improve our offer as an employer.

Employee forums are hosted by the Executive Committee team members and enable all employees to raise issues via elected representatives, giving them the opportunity to directly discuss any issues.

The welfare of our employees is of paramount importance to us and we continually review the support we offer to employees across the business.

Dave Coplin, an independent Non-Executive Director, is the nominated Board member responsible for representing the employee voice at Board level.

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

Value creation story continued

Local community

Developed a nutritional roadmap focused on enhanced information and balanced choices

£159m

tax paid in FY 2024 (not including tax collected, e.g. VAT)

Worked with Social Bite to help provide employment to vulnerable people on their Jobs First programme

Over 110 tonnes of unavoidable surplus food donated to charities via FareShare during the last five years

We have a long history of providing a central hub to many communities where people have met and socialised for decades.

Many of our brands are long-standing supporters of causes which resonate with the brand and its guests. For example, All Bar One supports Shelter with selected dishes including a donation, and Toby Carvery supports the Armed Forces.

We are actively looking to enhance the positive impact we can have on local communities, including supporting charities, providing career opportunities, encouraging responsible drinking, and supporting health by enhancing and providing information on the nutritional content of our meals.

Environment

Investment in FY 2024 in energy-reducing technology

98%

of operational waste diverted from landfill in FY 2024

Target to reduce our absolute Scope 1 & 2 GHG emissions by 70% by 2030 vs 2019 and our absolute Scope 3 emissions by 28% over the same time frame

23%

Food waste reduction in FY 2024 vs 2019 baseline

Committed to achieving Net Zero emissions by 2040

The natural environment provides the business with the resources it needs to operate. We take our responsibility to protect that environment seriously and have set stretching targets to reduce the negative impact of our business.

We have aligned our objectives with the UN Sustainable Development Goals in order to focus our efforts on the global priorities. Our aim is to embed a sustainable way of doing business within our current operations such that it becomes business as usual and we are doing that through a Board-level committee, steering committee and focused workstreams with representatives from across the business.

The food industry has an important part to play in climate change, as food supply chains are a significant factor in rising greenhouse gas emissions and in the reduction of biodiversity. We have measured our baseline emissions and have used this to create a roadmap for reduction which is one of our priority areas. We are also conscious of the food industry's significant impact on biodiversity which is another area we are balancing within our future plans to reduce the negative impact our organisation has on the environment and to enhance the positive outcomes wherever possible.

Further detail of our sustainability strategy can be found on pages 38 and 39.

Investors

Robust financial management through challenging macro-economic conditions

Equity raise in FY 2021 gave strength to balance sheet

Reporting on environmental, social and governance issues enhanced

Our investors are made up of our shareholders and bondholders who play an important role in monitoring and safeguarding the governance of the Company.

We aim to demonstrate the responsible stewardship of the Company from a financial, strategic, governance, environmental and ethical perspective. We have a highly effective Board, with Directors with various specialisms and backgrounds to best govern the Company. Their biographies can be found on pages 64 and 65.

We maintain an open dialogue through our investor relations programme. We update investors and bondholders on financial and strategic performance through regular performance updates and facilitate discussion through meetings, roadshows and our Annual General Meeting.

Board-level committees ensure that appropriate time and focus are allocated to the key areas of governance of the business and, where necessary, expert third parties are consulted. The Board provides a healthy level of challenge and debate on key areas and has been successful in moving the business forward.

The Executive Committee consists of members of management from across the business who have a wealth of experience both within the hospitality industry and from other sectors. Their biographies can be found on our website at www.mbplc.com/investors/our-management.

We recognise that it is important that our investors have transparency over the operation of our business and the full details of our governance procedures are set out on pages 75 to 87.

Our strategic priorities

Maintaining our consistent three strategic priorities

Consistent focus on our strategic priorities has enabled the business to continue to generate sales growth ahead of the market as well as cost efficiencies

Our strategic priorities are the pillars which underpin the activity within the business to drive long-term sustainable growth and ultimately that enable us to achieve our purpose of being the host of life's memorable moments, bringing people and communities together through great experiences. Through building a strong and efficient business we are able to focus on providing experiences which our team and guests enjoy being a part of, including processes which are sustainable and aim to bring people together throughout our supply chain. We have maintained consistency in our three strategic priorities over recent years and believe that continued focus in these areas is key to retaining stability and driving growth in the business. Our three strategic pillars are:

- Build a more balanced business
- Instil a more commercial culture
- Drive an innovation agenda

Focusing on these areas through our Ignite programme of work, a wide range of management improvement initiatives delivered significant progress, generating sustained like-for-like sales[a] growth and cost efficiencies. The third wave of Ignite initiatives has continued this progress and planning sessions for the fourth wave have taken place during the year with plenty of new initiatives to continue the momentum. We continue to focus on initiatives which enhance efficiency and productivity, in areas such as automatic product ordering, enhanced labour scheduling, cost-mitigating procurement strategies and energy consumption reduction. Alongside efficiency improvements, we have a number of projects designed to drive sales, with focus on enabling our teams to deliver exceptional guest experiences alongside digital development designed to enhance the guest experience as well as the effectiveness of our marketing strategies. We remain confident in our ability to deliver long-term and sustained efficiencies and business improvements through the existing Ignite programme.

We believe that our three strategic pillars remain the crucial elements of the business which will drive long-term growth. Through the Ignite workstream and our capital programme, we will continue to unlock value in these areas, enhancing our competitive position in the market.

The table on page 35 outlines these strategic priorities, our progress against them in FY 2024, our priorities for FY 2025 and their link to our sustainability strategy, risks and KPIs.

"We have maintained consistency in our three strategic priorities over recent years and believe that continued focus in these areas is key to retaining stability and driving growth in the business."

a. The Directors use a number of alternative performance measures ('APMs') that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 186 to 189 of this report.

1. Build a more balanced business

- To effectively utilise our estate of largely freehold-backed properties
- To ensure we are exposed to the right market segments by having the optimal 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, reduce our impact on the environment and remain competitive to guests, alongside meeting cashflow commitments

FY 2024 progress

- Capital expenditure at £154m
- Completed 189 conversions and remodels, and acquired four new freehold and two new leasehold sites
- Expanded our competitive socialising darts concept, Arrowsmiths, across 10 sites providing a strong return from secondary space
- Acquisition of Pesto Restaurants Ltd, delivering Italian Tapas offer across its ten strong estate. Pesto complements the Mediterranean theme of Ego; together these brands provide further diversification of the estate with a low meat offer which appeals to the health-conscious guest
- Conversion to Ego, acquired in FY 2023, continues with 31 sites within the brand and strong sales uplifts following conversion
- We are committed to re-establishing a seven-year investment cycle and this continues to be a key focus for the business

FY 2025 priorities

- There is a full capital programme planned for FY 2025
- Focus on enhancing asset value through remodelling sites where we believe increased value can be unlocked
- Make selective acquisitions where we feel they add value to the estate, and disposals where we feel we have extracted maximum value
- Continue to realise conversion opportunities within the estate to the Ego format and begin to expand Pesto
- Invest in technologies, such as solar panels and internet-connected control devices, to improve the energy efficiency of our estate
- Continue to maximise the utility of the secondary spaces across the estate via a dedicated Ignite initiative

Sustainability

- Enhancing the sustainability credentials of our buildings is a key priority
- During the year we have installed solar panels on 151 sites producing on-site renewable electricity and have plans to continue this programme into FY 2025
- Removing gas as an energy source from our sites is a key objective of our Net Zero roadmap. We now have 60 sites with all-electric kitchens and five sites where we have fully removed gas in favour of renewable electricity
- We have a team of sustainability ambassadors across the business who have helped to drive behavioural change resulting in reduced energy consumption; coupled with investment in energy reducing technology we have reduced consumption by 2% during the year
- We divert 98% of our operational waste from landfill and are focused on reducing overall volumes of waste whilst increasing recycling rates

Links to Key Risks

1, 2, 3, 7, 8, 10, 11, 12, 14
See pages 46 to 52

Links to KPIs

2, 3, 4, 5
See pages 36 and 37

2. Instil a more commercial culture

- To empower teams across the business to make changes to facilitate sustainable growth
- To engage our teams in delivering outstanding guest experiences
- To act quickly and decisively to remain competitive in our fast-changing marketplace
- To provide training and development opportunities which allow our people to thrive within the business
- To enhance processes to address Modern Slavery threats in the supply chain

FY 2024 progress

- Launched a 'Guest Obsessed' programme to enhance the skills of our teams and provide exceptional guest experiences with a focus on driving sales, delivering record guest review scores
- Successful implementation of a new dish availability system has improved menu availability which has a significant impact on guest experience
- Continue to train and develop our people, celebrating 550 apprenticeships completed in the year, and internal succession to General Manager roles increasing to 61%
- Focus on employee engagement resulting in record engagement scores across all employee groups and turnover reduced to 64%

FY 2025 priorities

- Adapt to the changing environment within which we operate to maximise the profitability of each business
- Deliver a wide range of cost control initiatives across the estate under the Ignite programme including range management to deliver lower-cost alternatives
- Unlock the full benefits of automated team member scheduling in every business
- Expand the trials of internet-connected control devices for heating systems and kitchen equipment to reduce energy consumption
- Increasingly leverage scale through central procurement and benchmark our businesses

Sustainability

- We communicate our sustainability ambitions on all brand websites and have built our communication on these topics through social media in appropriate brands
- We have made good progress in reducing food waste, down by 23% in FY 2024 from FY 2019 baseline, facilitated through enhanced practices and partnerships with Fareshare and Too Good To Go to redistribute unavoidable waste
- We are working in collaboration with our waste management providers and suppliers to reduce the amount of waste generated by the business
- Continue our work with Stop The Traffik to drive best practice in addressing Modern Slavery threats in the supply chain
- We are expanding our programme with Social Bite to help provide employment to support people impacted by homelessness by funding a Social Bite support worker dedicated to placing people impacted by homelessness into Mitchells & Butlers roles

Links to Key Risks

1, 2, 3, 6, 7, 8, 10, 11, 12, 14
See pages 46 to 52

Links to KPIs

1, 2, 3, 5
See pages 36 and 37

3. Drive an innovation agenda

- 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
- To utilise our scale and position to lead on environmental issues which impact our sector, finding innovative solutions to pressing issues

FY 2024 progress

- Successfully deployed 'My Account' across multiple brands, providing guests a single platform to manage their bookings, orders and offers. Resulting in notable rise in customer engagement, particularly among younger guests, and positions 'My Account' as a key platform for future interactions
- Our websites and apps were redesigned with a fresh look and improved functionality, leading to higher conversion rates. The new design has enhanced the overall user experience, making our digital platforms more engaging and intuitive
- A pre-order system for Christmas was introduced, automating what was previously a manual process. This has provided guests with a more streamlined and efficient experience, while also reducing operational complexities during a busy time of year
- We expanded our marketing efforts by adopting new social media platforms and introducing personalised website content, improving how we target and engage with different customer segments

FY 2025 priorities

- Building on the success of 'My Account', we will trial more advanced points-based loyalty schemes to further incentivise repeat customer engagement and strengthen brand loyalty
- Extend digital gamification across more brands, enhancing customer interaction and engagement
- Our CRM platform will be upgraded to enable better data management, deeper customer insights, and more tailored marketing communications, ensuring we stay competitive in personalisation and customer relationship strategies
- Further enhancements to our ordering and booking platforms, focusing on improving speed, reliability, and the overall customer experience to meet the evolving expectations of our digital audience

Sustainability

- Around 18,000 people have completed our training on sustainability designed to enhance understanding of sustainability challenges
- We have active and ongoing discussions with our suppliers on innovative ways to reduce the environmental impact of our supply chain
- Our food development teams are exploring ways to reduce the environmental impact of our menus
- We are active members of the Zero Carbon Forum, a cross-industry group which is focused on finding solutions to help hospitality transition to a low carbon economy
- We have representation on the Hospitality Sector Council Sustainability Group, making us part of the conversation with government for future legislative changes to support enhanced sustainability in the sector

Links to Key Risks

1, 2, 4, 5, 7, 10, 11, 12, 14
See pages 46 to 52

Links to KPIs

2, 3, 5
See pages 36 and 37

Key performance indicators

Measuring performance

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

1. Staff turnover

Definition

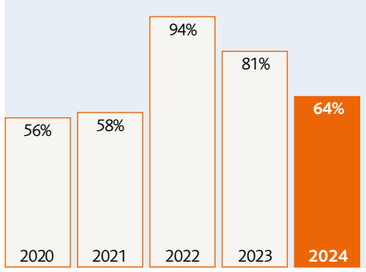
The number of leavers in our retail businesses, expressed as a percentage of the average number of retail employees. This like-for-like measure excludes site management. The turnover measurement gives an indication of the retention of retail staff and can help to identify if there is an arising retention issue in any area of the business which could highlight an engagement issue. In addition, as team members go through a thorough induction and training process there is an element of cost for each person who leaves the business. Therefore, it is important for the Board to monitor this measure.

FY 2024 performance

Retail staff turnover reduced by 17 ppts to 64% during the year due to the effective delivery of our people promise, to meet the needs of our employees, driving improved retention. The reduction in turnover reflects improved stability and experience of teams across all levels. During FY 2020 and 2021, turnover was suppressed by the impact of Covid-19 as there were minimal leavers during closure periods.

Link to strategic priority: 2
See page 35

Staff turnover 64%



2. Guest review score

Definition

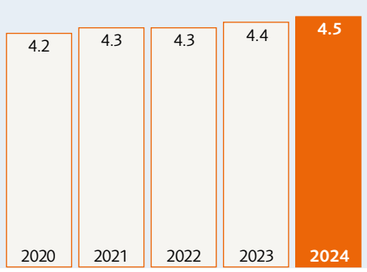
Our reported guest measure is an average feedback score across the major third-party feedback channels such as Google, Facebook, Tripadvisor and other review sites. Improving this score remains a key focus of the business as we aim to create memorable moments for our guests.

FY 2024 performance

Our average feedback score across all major feedback channels was 4.5 out of 5 for FY 2024, an improvement on prior year of 0.1. We are delighted with the significant progress made in recent years on guest feedback, which reflects the satisfaction of our guests. Progress has been made over the year, driven by a collection of Ignite projects focusing on improving this metric and our managers' continued commitment to delivering excellent guest experiences.

Links to strategic priorities: 1, 2 & 3
See page 35

Guest review score 4.5



3. Year-on-year same outlet like-for-like sales[a]

Definition

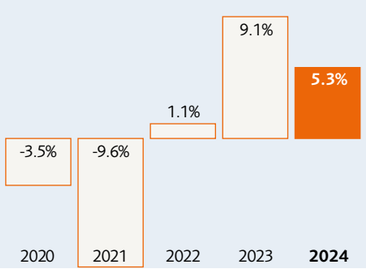
Sales in FY 2021 and 2022 were impacted by Covid-19 related closures, therefore during these years sales were compared to the sales in FY 2019, being the last full year pre-Covid-19. Since FY 2023 the measurement has reverted to using the prior year as a comparative for all UK managed sites that were trading in the two periods being compared, expressed as a percentage. Like-for-like sales is an important indicator of how the business is performing in the context of its previous performance, the long-term trend of which can reflect improvements in guest appeal.

FY 2024 performance

Like-for-like sales increased by 5.3% in FY 2024, with strong trading throughout the year and all brands in like-for-like sales growth. Sales growth remained consistently ahead of the market as measured against the CGA Business Tracker.

Links to strategic priorities: 1, 2 & 3
See page 35

Year-on-year same outlet like-for-like sales[a] 5.3%



4. Incremental return on expansionary capital[a]

Definition

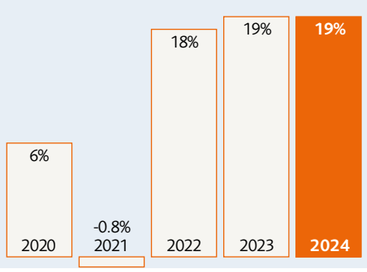
Expansionary capital includes investments made in new sites and investment in existing assets that materially change the guest offer. Incremental return is the growth in annual site EBITDA, expressed as a percentage of expansionary capital. It is important for the Board to monitor return on investment as it indicates the success of the capital programme which underpins one of our three key strategic pillars, to build a balanced business.

FY 2024 performance

The EBITDA return on all conversion and acquisition capital invested over the last four years was 19%. We remain confident in the quality of the investment programme and committed to the re-establishment of a seven-year investment cycle. Our capital programme continues to be a key focus of the business and one which we believe will deliver significant future value.

Link to strategic priority: 1
See page 35

Incremental return on expansionary capital[a] 19%



5. Adjusted operating profit[a]

Definition

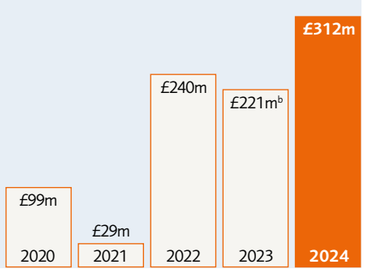
Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately disclosed by virtue of their size or incidence. Excluding these items provides both management and investors with useful additional information about the Group's performance and supports an effective comparison of the Group's trading performance from one period to the next. The Board monitors adjusted operating profit as one of the financial health indicators, as it helps to reveal how efficiently the business is being operated.

FY 2024 performance

Adjusted operating profit[a] of £312m was £91m higher than the prior period, on a 52-week basis. Strong sales performance and enhanced operating efficiency as well as easing cost inflation during the year resulted in notable profit growth for the period.

Links to strategic priorities: 1, 2 & 3
See page 35

Adjusted operating profit[a] £312m



4.5 out of 5
Average guest review score

19%
Incremental return on expansionary capital

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 186 to 189 of this report.
b. 52-week basis.

Our sustainability targets

The focus areas of our strategy were determined by a materiality assessment informed by stakeholder engagement

We remain focused on reducing the environmental operations of our business and are pleased with the progress made during the year.

We have been working on enhancing the sustainability of our operations since 2019 and are pleased with the progress we have made. We believe that embedding sustainability skills into our existing teams is essential in order to generate the changes needed to reduce the environmental impact of the business. Therefore, building knowledge across the organisation such that sustainability can be considered in each business decision has remained a key focus during the year. The Sustainability Steering Committee oversees the development and progress of the Company strategy, supported by three working groups aligned to the three pillars of the strategy. The Board provides challenge and insight and is regularly updated on progress, and team members across the business receive communication on key initiatives to drive engagement and enhance understanding of our objectives.

Our strategy has been developed to align with the issues addressed by the UN Sustainable Development Goals and Paris Climate Agreement. We have committed to reducing the negative impact of our business model on the environment in light of these objectives and look for opportunities to enhance our positive impact on society. Our Net Zero ambition has been developed to align with the Science Based Targets initiative (SBTi) methodology to keep global warming well below 2°C, and our roadmap was validated by the SBTi in January 2024.

We have identified the UN Sustainable Development Goals which we believe we can have the greatest impact on and have aligned these to our strategic pillars as shown below. For each of the pillars we have defined our objective, key actions and targets. Collaboration across our industry and value chain is essential in order to facilitate progress; we are members of industry groups such as the UK Hospitality Sustainability Committee and Zero Carbon Forum, to share best practice with the intention of moving the industry forward as a whole, and we are also represented on the Hospitality Sector Council.

Details of the link between our sustainability strategy and our strategic pillars can be seen on page 35.

Sustainability strategic pillars

1. Respect for the planet

Objective
We are committed to reducing our emissions, tackling waste and protecting biodiversity

Key actions
- We have made progress against our Net Zero roadmap, which was built in collaboration with third-party experts, providing a detailed plan for decarbonisation
- We received validation for our Net Zero roadmap from Science Based Targets initiative
- We are a founding and active member of the Zero Carbon Forum, bringing the industry together to reduce emissions across the sector through shared learning and insights
- We continue to purchase 100% renewable electricity
- We continue our solar panel roll out, with 151 sites now completed, allowing us to generate on-site renewable energy
- We have successfully removed gas as an energy source for cooking, heating and hot water in five sites providing essential learning for the future scaling of this initiative
- We have successfully converted 60 kitchens from gas to electricity
- We have increased the proportion of operational waste diverted from landfill to 98% (FY 2023 97%)
- We have maintained our recycling rate at 59% (FY 2023 59%), through team engagement and working with suppliers on more sustainable packaging

UN Sustainable Goal alignment

2. Pride in our offers

Objective
We strive to deliver responsibly-sourced products and menu options for everyone

Key actions
- We continue to evolve our menus to support our ambition of reducing food emissions
- We work with suppliers across all categories to understand and improve the environmental credentials of the products we buy
- We have enhanced our animal welfare requirements from suppliers
- We engage with suppliers on sustainability through our procurement managers and at our annual supplier conferences
- We have maintained our focus on enhancing the nutritional balance and information available on menus
- We source all direct palm oil purchases from Rainforest Alliance Approved sources

UN Sustainable Goal alignment

3. Care for communities

Objective
People are central to our business; we are focused on supporting our teams and the communities we serve

Key actions
- We have developed a partnership with Social Bite, a charity tackling homelessness
- We have expanded our employment programme with Social Bite, supporting vulnerable people back into employment
- We raised £211k for Social Bite through Festival of Kindness, a campaign which facilitates donations across all of our sites
- We have an enhanced employee wellbeing strategy and improved resources and tools available to employees
- We maintain oversight of our Modern Slavery policy with risk assessment completed, in partnership with Stop the Traffik

UN Sustainable Goal alignment

Our targets

1. Net Zero greenhouse gas emissions by 2040

Target
Achieve Net Zero greenhouse gas emissions by 2040 (absolute reduction of emissions, including Scope 1, 2 & 3) from our FY 2019 baseline. We align our definition of Net Zero to the Science Based Targets initiative corporate standard. Our Net Zero target includes our Scope 1, 2 & 3 emissions, using an operational control approach. We have set a near-term target (validated by SBTi) to reduce our absolute Scope 1 &2 GHG emissions by 70% by 2030, compared to a 2019 base year (aligned to well below 2°C) and a target to reduce our absolute Scope 3 emissions by 28% over the same timeframe. We have also set a long-term target (validated by SBTi) to reduce absolute GHG emissions from Scopes 1, 2 & 3 90% by 2040 from a 2019 base year to be Net Zero by 2040. Aligned to the SBTi criteria we will offset our residual 10% emissions using carbon removal offsets at our Net Zero date. During FY 2024 we will recalculate our baseline and reduction pathway to align with the Forest, Land and Agriculture (FLAG) guidance.

Performance
Our Scope 1, 2 & 3 greenhouse gas emissions have decreased by 14% against our FY 2019 baseline in FY 2024. This reduction is primarily driven by reduced energy consumption, reduced reliance on gas as a fuel source in our businesses and a reduction in the emissions associated to the products we buy. On an intensity basis of emissions to turnover our output of emissions has reduced by over 4.1% from prior year.

Total Scope 1 & 2 emissions reduced from the baseline by 18% (FY 2023 13%) driven primarily by the energy consumption reduction initiatives delivering 2% reduction, and the systematic removal of gas from the estate. In the year we have made good progress in our efforts to reduce gas as an energy source with 60 electrified kitchens now in place, and five sites where gas has been fully removed and replaced by air source heat pumps as an alternative for heating. We have plans to considerably expand this programme in FY 2025. In addition, we have continued our solar panel roll out programme and now have 151 sites with solar panels installed, creating renewable energy, with plans to further expand this initiative into FY 2025.

Our Scope 3 emissions, which include all other indirect emissions that occur in our value chain, reduced by 14% versus our 2019 baseline driven by reductions in emissions associated with the products we buy and with our supply chain logistics. Scope 3 emissions represent 92% of our baseline footprint and therefore are an important focus of our transition plan. Food emissions are the largest individual contributor to our footprint and we have made good progress over the year. By engaging with suppliers we have moved to product specific emission factors across a number of high emission categories with procurement managers regularly discussing emission reduction plans with suppliers. We have also established a working party focused on building emission reduction plans into our food development cycle. We will continue to progress in this area with the aim of reducing the emissions of our menus across all brands, which is a key focus for achieving Net Zero.

Zero
Target to achieve Net Zero greenhouse gas emissions
by 2040

2. Zero operational waste to landfill

Target
Zero operational waste to landfill by 2030.

Performance
During the year we have diverted 98% of operational waste from landfill putting us on track to deliver our target of zero operational waste to landfill by 2030. In partnership with our waste management providers, we have run a bin optimisation programme, ensuring that all of our sites have appropriate recycling and general waste bins in the most accessible areas of the business, to encourage improved segregation of waste. This, alongside team engagement on our environmental ambitions, has helped us maintain our recycling rate at 59%.

We have targeted a recycling rate of 80% by 2030 and are working across a number of fronts to achieve an improvement in the proportion of waste we recycle. We are working with suppliers to reduce the volume of packaging entering our sites, and to ensure that as much packaging as possible can be recycled, as well as engaging teams in the positive environmental impact they can have by increasing recycling rates. We face challenges in some geographies where recycling of materials is not yet available, and we continue to investigate opportunities to access recycling in these areas.

Zero
Target to achieve zero operational waste to landfill
by 2030

3. Food waste

Target
Reduce food waste by 50% by 2030 from our FY 2019 baseline.

Performance
This year we have achieved a 23% reduction in food waste against our FY 2019 baseline.

In our sites, food waste reduction has been achieved through strengthened operational procedures which reduce the level of waste generated during the food prep process, including enhanced ordering accuracy, as well as reduced menu complexity. The introduction of auto-ordering has helped to improve the forecasting of dish mix and therefore reduced waste through spoilage. In addition, we have continued our roll out of Too Good To Go which is now across seven brands, saving on average over 14,000 meals a week from wastage and having saved two million meals from waste since the beginning of the partnership. During FY 2025 we will collate data to better understand the drivers of guest plate waste in order to develop strategies targeting a reduction of waste returned to our kitchens on plates.

Unavoidable food waste from our pubs and restaurants is sent to anaerobic digestion. The digestion process itself creates biogas which is then captured and used to generate electricity.

We have also remained focused on managing waste within the supply chain, particularly around menu changes and key dates, and have maintained the progress made last year. Where possible we donate food which would otherwise go to waste within the supply chain to Fareshare who redistribute the food to community groups who need it. During the period we donated 16 tonnes of food through Fareshare, the equivalent of c.38,000 meals.

50%
Target to reduce food waste by 50%
by 2030

Task Force on Climate-related Financial Disclosures ('TCFD')

The purpose of this statement is to provide investors and wider stakeholders with an understanding of Mitchells & Butlers plc's governance structure in relation to climate, our exposure to climate-related risks and opportunities, our strategic response to managing identified risks and opportunities and the key metrics we use.

We are pleased to confirm that we have included climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures, except for Scope 3 emissions, and in compliance with UKLR 6.6.6R(8). Our report addresses the four TCFD pillars: Governance, Strategy, Risk Management and Metrics and Targets. In preparing this information, all of the guidance in Section C and E of the TCFD Annex has been considered. Scope 3 emissions have not been disclosed for the current period. Our intention is to disclose Scope 3 emissions on the conclusion of our rebasing for Forest, Land and Agriculture targets as required by Science Based Targets initiative, allowing us to begin disclosure on a basis which we expect to remain consistent in future years. We anticipate our internal processes to be concluded in the first half of 2025 with Science Based Targets initiative approval to follow.

Governance

We, alongside our stakeholders, recognise that the health of our planet is critical to the wellbeing of society at large and that the food industry has a significant part to play in addressing the current climate emergency. We also recognise that the food industry will feel the effects of continued climate change ever more acutely which will result in changes in consumer behaviour, advances in innovation and the evolution of leisure offers to adapt to changing needs.

The Board of Mitchells & Butlers plc is committed to delivering the purpose of the organisation; to be the host of life's memorable moments, and to do so in a way which reduces the environmental harm caused by operations. The Board considers climate-related matters when reviewing and guiding strategy, investment decisions and the risk management policies. Our approach to climate enables us to evolve our offers to meet changing consumer expectations in order to realise potential climate-related opportunities whilst also monitoring and addressing the risks posed by climate. We have developed a clear governance framework to support our assessment and response to climate-related matters.

This framework has helped us to continue to make progress against our climate goals and to address challenges faced by the industry as a whole.

Strategy & risk management

In response to the TCFD requirements, we performed a detailed review of the climate-related risks and opportunities relevant to the business. The resulting principal risks were added to the risk register and are now assessed on a regular basis as part of the Risk Committee's review.

Identifying, assessing and managing climate-related risks and opportunities

The following stages formed the process of identifying and assessing climate-related risks and opportunities:

- Workshops were held with external third parties who reviewed Mitchells & Butlers operations before generating a list of climate-related risks and opportunities relevant to the business. These were considered alongside guidance from the World Business Council for Sustainable Development (WBCSD) Food, Agriculture and Forest Products TCFD Preparer Forum to formulate a list of all the climate-related risks and opportunities which may impact our organisation
- Workshops were held with representatives from relevant functions across the organisation to obtain a wide range of perspectives on the identified climate-related risks and opportunities. Using expert knowledge of the business and its supply chain, experience from past events and insight into guest behaviour, each risk and opportunity was assessed and opinions were gathered on future change and perceived risk materiality. The output of the workshops was a reduced list of risks and opportunities which were considered to be most material to the organisation based on this qualitative assessment. This process helped to reinforce our response to TCFD requirements
- Our established risk management framework and heat mapping (see page 46) was then used to establish which of those identified risks were likely to be material to our business, being those with a high likelihood and a high impact. Two risks were identified to be material, and therefore have now been included as principal risks, with the results discussed and approved by the Risk Committee. Our sustainability strategy has been developed to mitigate those risks where possible with associated KPIs to track progress, as well as risk indicator measures which identify if the impact of an identified risk is increasing

All potential climate-related risks and opportunities are reassessed annually through the Sustainability Steering Committee and Risk Committee. Analysis and response to risks are supported by TCFD guidance and evolving corporate best practice. Additional risks are added to the principal risk register if the criteria to do so are met; no additional risks have been added to the register in the financial period.

Through our membership and active involvement in industry-led organisations, such as the UK Hospitality Sustainability Committee and Zero Carbon Forum, and through regular dialogue with suppliers, we will continue to collaborate on our responses to climate risks and to seek out opportunities to progress against our goals. We engage actively with our suppliers on sustainability issues, including at our annual supplier conference, and will be seeking to further progress alignment of objectives which will help manage climate risks through Scope 3 emissions measurement and management.

Board oversight of climate-related risks and opportunities

Board of Directors

The Board is responsible for the long-term success of Mitchells & Butlers plc and has an established framework in place which enables effective assessment and management of risks, including climate-related risks and opportunities.

Responsibility for ESG matters is managed within the framework by the Corporate Responsibility Committee, a Board level committee, using insight from the Group Risk Committee on the assessment of climate-related risks, the Group Audit Committee on the financial consideration of climate-related risks and the Group Remuneration Committee on the inclusion of climate-related metrics in remuneration.

The Corporate Responsibility Committee is chaired by Bob Ivell and is led by Dave Coplin, Non-Executive Director, who has been designated by the Board to take a lead role in oversight and development of the Company's approach to climate-related issues. Dave Coplin has, for the last 30 years, been providing strategic advice and guidance on driving innovation and transformation to organisations and governments both here in the UK and around the world giving him excellent experience in this role. The Committee is made up of five Board members; Phil Urban is invited to attend regularly.

Corporate Responsibility Committee

The Corporate Responsibility Committee meets at least twice a year to review progress utilising information provided by the Sustainability Steering Committee. The Sustainability Steering Committee, which is a management level committee, provides regular update papers to the Corporate Responsibility Committee, including performance against stated targets including Net Zero by 2040, waste management and food waste reduction, as well as progress on key transition plan initiatives.

The Board is updated at least annually on performance against targets and initiatives or investment, either underway or future, which facilitate the attainment of our goals. Ad hoc updates are provided where approval is required, or a significant development is reported. As such climate-related risks and opportunities form an important part of the context from which the organisational strategy is considered and developed, ensuring that the Group is positioned to protect itself from financial and reputational risks associated with climate.

This structure also enables the Company to benefit from the commercial opportunities of accelerating the sustainability programme in order to align brand propositions with guests' changing needs. When considering any business planning activity, the Board takes into consideration the broader context of its trading environment, with details of the climate aspect provided by the Corporate Responsibility Committee.

Sustainability Steering Committee

The Sustainability Steering Committee is a management level Committee which has responsibility for the continuous monitoring and evolution of the sustainability strategy.

The Committee oversees the three working groups responsible for discrete areas of the sustainability strategy: respect for the planet, pride in our offers and care for communities.

The Sustainability Steering Committee meets with the working group leads every eight weeks, and receives supporting update papers in advance of meetings. The meetings ensure that the Sustainability Steering Committee maintains oversight over sustainability activities which are in place across various business functions, ensuring that our approach is consistent and executed effectively.

These meetings also provide the foundation of the update information provided to the Board-level Corporate Responsibility Committee. The Sustainability Steering Committee also meets on a monthly basis with members of the Executive Committee to inform management on progress of key initiatives and to discuss any decisions required by the Executive Committee.

Climate-related risks and opportunities management and strategy

Our analysis of climate-related risks and opportunities identified the risk of the introduction of carbon taxes and the risk of increased severe weather events as material and these risks have been included within our principal risks (see pages 46 to 52). These risks are consistent across all of our locations.

During the year we have conducted quantitative analysis of identified risks. In the modelling of climate-related risks we have considered three warming scenarios, using the Representative Concentration Pathways (RCP) 2.6, 4.5 and 8.5 developed by IPCC as a basis for our assumptions. RCP capture forecast how concentrations of greenhouse gases in the atmosphere will likely change as a result of human activity, and predict the future impact on regional climates. RCPs are widely recognised and represent respectively 1.6°C of warming, 2.4°C of warming and 4.3°C of warming. Our analysis assesses the short-term risks as being between 0–3 years, in line with how we assess our principal risks and viability statement; medium-term risks between 3–6 years; and long-term risks between 6–20 years in line with our longer-term contracts and climate commitments.

The results of the quantitative analysis will be considered in our financial planning as we make progress against our transition plan. Elements of the sustainability strategy are already embedded in financial planning, for example capital investment in sustainable technology and building development are considered at Group level and built into the annual capital plan and specific initiatives developed by brands to ensure optimal alignment with guest needs are factored in to brand budgeting assumptions. The financial, and environmental, impact of all sustainability initiatives are carefully tracked and reported to the Sustainability Steering Committee which in turn escalates any material impact to the Executive Committee and Board.

Task Force on Climate-related Financial Disclosures continued

Our sustainability strategy is designed to mitigate the financial and reputational impact of climate-related risks and to capture the benefit of aligning our brand proposition to changing consumer needs. In particular, we have a well-developed transition plan to Net Zero, which has been designed in collaboration with third-party experts and was validated by Science Based Targets initiative (SBTi). We plan to resubmit for Forestry, Land and Agriculture (FLAG) SBTi in 2025 and are currently in the process of calculating our 2019 baseline. Our Net Zero roadmap aligns with SBTi methodology to keep global warming well below 2°C. This detailed roadmap provides the benchmark against which performance can be tracked to a low emission economy, with our contribution clearly understood as well as that of our suppliers, such that we can influence others in our supply chain to reduce their emissions.

Sustainability is a key priority for the Board and management and remains so despite the challenges currently faced by the industry as a whole. Hence, we have included a Sustainability target in our Long Term Incentive Plan for the Executive and Leadership team and intend to include appropriate measures within incentives plans through the organisation to outlet level.

The financial impact of identified climate-related risks and opportunities bring to life the possible consequences for the business and its supply chain. The various warming scenarios were developed using the Met Office predictions of future weather events. Physical risk, we performed a qualitative analysis of the possible (1) reduction in sales, (2) increase in supplier costs, and (3) increase in damage to properties under the three warming scenarios.

We believe that we have a robust strategy in place to help mitigate an element of the risks posed particularly under RCP 2.6 where the impact is on the organisation and supply chain is lower. Under more severe warming scenarios, such as RCP 8.5 the impact on the environment will be more severe reducing our ability to mitigate and manage risks, with food supply chain disruption being a particular area of risk. We have a centralised building management team who monitor the physical risk to our estate and our sustainability strategy is designed to address the transition risks identified.

We are conscious that collaboration, particularly with the supply chain, will be vital in order to tackle the future challenges ahead. Identifying ways to develop commercially viable solutions to approach the environmental impact of the food supply chain, an area of greater risk, is a significant challenge and one on which we are working with industry bodies, supply chain partners and other hospitality businesses. Under a 4°C warming scenario whereby, according to Met Office predications, adverse weather events would be far more frequent, the impact of both our physical and transition risks are higher. From a physical risk perspective, due to sea levels rises in this scenario, a small number of sites would enter the flood risk register and we would expect increased frequency of damage to properties caused by storms and extreme weather. We monitor the frequency of weather-related damage to buildings centrally and would evolve an enhanced strategy to mitigate the risk under this scenario should this be the likely direction of travel.

Below is a summary of the climate-related risks included within our principal risk register; for further details on our risk assessment framework please see page 46.

Risk level

Short-term · Medium -term · Long-term

Transition risk

Risk
Introduction of carbon taxes and levies

Category
Operational costs

Description
This risk represents the impact on operating costs of the business both directly through taxation and indirectly through higher input costs which would result from the introduction of taxation and levies attributed to greenhouse gas emissions.

Qualitative assessment has identified this risk as both high in impact and likelihood over the medium to long term especially under RCP4.5 and RCP8.5 warming scenarios. The introduction of a form of carbon taxation is likely to be introduced as pressure mounts for progress to be made against the Government ambition to achieve Net Zero by 2050.

Mitigating actions
We have developed a Net Zero strategy with a target date of 2040 which has been validated by Science Based Targets initiative (SBTi). We plan to resubmit for Forestry, Land and Agriculture (FLAG) SBTi in 2025 and are currently in the process of calculating our 2019 baseline.

We have a number of initiatives underway designed to reduce our emissions in line with our Net Zero roadmap. In order to reduce Scope 1 & 2 emissions, we are investing in solar panels, electric kitchens and fully electrifying sites. Furthermore, we are investing in a number of initiatives that will reduce our energy consumption.

The detailed plan for reduction will help to mitigate an element of potential cost, and a target date ahead of Government ambition will help to position the organisation ahead of the market average.

In order to reduce Scope 3 emissions, we are working closely with suppliers, particularly in high emission categories, to support their pathway to carbon reduction which will help to mitigate an element of this risk. However, if input costs increased materially in response to carbon taxes margins would be at risk.

We are a member of UK Hospitality Sustainability Committee which enables us to have foresight over potential policy changes impacting the organisation.

Quantitative analysis considerations
The approach to the quantitative assessment performed took the Group's forecast carbon emissions, from our net zero plan submitted for Science Based Targets initiative approval, and applied the 2024 carbon price for use in civil penalties in the UK of £64.90 per tonne of CO_2 over the short, medium and long term giving an estimate of the potential financial impact of the introduction of carbon taxes.

Under RCP2.6, a scenario under which warming remains under 1.6°C, we have considered the introduction of carbon taxes is unlikely as other action has controlled temperature rise.

Under RCP4.5 we assume a high likelihood of introduction of taxes in relation to Scope 1 & 2 emissions in the long term as warming poses a greater risk and intervention is introduced to attempt to limit warming.

Under RCP8.5, where warming is 4.3°C, the impact would be considerable with increased severe weather events and considerable impact on human welfare. We have considered intervention in both the medium and long term likely, and due to the scale of impact have assumed carbon tax of Scope 1, 2 & 3 emissions.

Physical risk

Risk
Increased severity of extreme weather events

Category
Acute

Description
This acute physical risk represents the risk to both revenue and the supply chain of increased severe events. Revenue would be impacted through the interruption to trade caused by both extremely hot weather and adverse weather such as rain and snow, as well as possible site closure resulting from flooding. In addition, the availability of products in the supply chain, in particular agricultural produce, could be impacted by severe weather affecting product availability and input prices.

The qualitative assessment of potential revenue impact included a high-level review of previous interruption to trade resulting from extreme weather and considered scientific forecasts as to the likely increase in extreme weather events. Procurement information relating to previous disruption to supply chain due to localised weather events and geo-political issues was reviewed and considered in the context of increased severe weather events. As a result of these assessments the risk has been identified as both high impact and high likelihood.

Mitigating actions
The weather has a high level of impact on trading levels across the estate and therefore monitoring weather forecasts in relation to expected trading levels is a normal part of the financial planning of the business.

This monitoring activity will enable us to identify when patterns of increased instances of extreme weather events begin to develop at which point investment in mitigating action, such as installation of air conditioning, can be considered. In addition, our experience during Covid has meant that we have developed strategies to close sites at short notice, such that in the instance of extreme weather significantly impacting trade we could close sites in order to mitigate some of the financial losses which we would be exposed to.

In relation to site closure due to damage to buildings, such as during flooding, we have insurance in place to recover the lost trade and required repairs and this therefore does not represent a significant risk in the short term, however it might impact us in the medium and long term under RCP4.5 and RCP8.5 if the business incurs higher insurance premiums and is unable to insure some buildings at high risk of flooding.

To manage the risk associated with our supply chain, we monitor and communicate with our suppliers closely giving us foresight over potential supply issues. We also have sufficient breadth of products across our brands that supply issues with one product could be mitigated through switching to a substitute. We are also aware of emerging agricultural techniques which are less susceptible to weather conditions, such as vertical farming and regenerative agriculture, as well as shifting crops to more favourable conditions, and would consider these alternatives if the supply chain were likely to become severely impacted.

Quantitative analysis considerations
The quantitative assessment performed during FY 2024 involved a detailed analysis of extreme weather's previous impact on trade to determine the potential impact on revenue. In order to quantify the future impact of extreme weather, four weather-related data points (maximum temperature, minimum temperature, rainfall and wind speed) were taken from the Met Office Climate Projections under RCP2.6 and RCP8.5 warming scenarios. These were used to determine the financial impact of weather-related extreme events in the short, medium and long term under the three warming scenarios, that is above and beyond what the Company has experienced in the last three financial periods.

To measure the potential impact on the supply chain, we reviewed historical impacts of a variety of weather events and gathered scientific evidence showing up to 31% decrease in crop profits under RCP8.5, half of which can be avoided by reallocating crop lands, and no material impact on livestock products. Hence, we have assumed 5% increase in crop items cost under RCP4.5 and 10% under RCP8.5 as Mitchells & Butlers will be able to implement strategic ingredient swaps to dishes to adjust for certain products' inflation, both were considered in the long term only.

To measure the potential impact of increased flood risk on the estate, we assumed that in the short term the risk would be mitigated by insurance. In the medium and long term our insurance premiums would increase under RCP4.5 and RCP8.5 due to expected 11% increase in flood instances which was derived by the Met Office Climate Projections. In the long-term scenario under RCP8.5, due to significantly increased flooding we have assumed that half of our high-risk sites would be unlikely to be insured resulting in exposure to financial risk.

Transition opportunity

Risk
Adjusting brand propositions to appeal to changing consumer preferences

Category
Revenue

Description
Changing consumer preferences towards products seen as better for the environment, for example dietary shifts towards low carbon products, presents an opportunity for the Group to position brands to appeal in an evolving market. The breadth of brands within the Group portfolio provides the opportunity to test adapted brand propositions in a low risk way and to therefore be ahead of the market when consumer preferences begin to change in the mass market.

Mitigating actions
All of the initiatives under the sustainability strategy help to strengthen the Group's position in relation to environmental matters. This allows our brands to communicate with guests on environmental issues with consistency across the portfolio and to build a reputation for sustainable operations.

Our focus on achieving ambitious environmental targets will position the Group well to benefit from changing consumer habits. Our ability to trial proposition adaptations in appropriate brands to gauge guest reaction will ensure we are well prepared to make informed decisions in the future as consumer preferences change. In addition, our scale and commitment to our investment programme will enable the Group to enhance the sustainability credentials of its properties.

Quantitative analysis considerations
Consumer insight is continuously reviewed and is used to inform brand evolution. In addition, direct consumer feedback is used to highlight changing guest preferences, and reactions to brand changes designed to enhance environmental credentials.

Alongside financial performance these metrics will inform the future evolution of our brands.

Task Force on Climate-related Financial Disclosures continued

Summary of quantitative assessment

Potential financial impact on profit in the average year (£m)

Risk level: Low, Medium, High

Introduction of carbon taxes and levies

Key Assumptions	Time Horizon	RCP2.6	RCP4.5	RCP8.5
• We calculated the financial risk of carbon taxes and levies based on Mitchells & Butlers' Scope 1, 2 & 3 emissions, as per our SBTi submission, in the short, medium and long term • We used the 2024 carbon price for use in civil penalties in the UK – £64.90 per tonne of CO_2e	<3 years	Low	Low	Low
	3–6 years	Low	Low	Medium
	6–20 years	Low	Medium	High

Increased severity of extreme weather events

Key Assumptions	Time Horizon	RCP2.6	RCP4.5	RCP8.5
1.Sales risk • Maximum temperature, minimum temperature, rainfall and wind speed were taken from the Met Office Climate Projections under RCP2.6 and RCP8.5 warming scenarios • The above weather events were quantified to determine the financial impact of weather-related extreme events in the short, medium and long term under the three warming scenarios, above and beyond what Mitchells & Butlers has experienced in the last three financial periods	<3 years	Low	Low	Low
	3–6 years	Medium	Medium	Medium
	6–20 years	Medium	Medium	Medium
2.Supplier costs risk • Assumed 5% increase in crop items cost under RCP4.5 and 10% under RCP8.5, both were considered in the long term only • Assumed no increase in livestock cost under RCP4.5 and RCP8.5	<3 years	Low	Low	Low
	3–6 years	Low	Low	Low
	6–20 years	Low	High	High
3.Flood risk • Assumed that Mitchells & Butlers' insurance premiums will increase in the medium and long term under RCP4.5 and RCP8.5 • Assumed that half of our high-risk sites are unlikely to be insured in the long term under RCP8.5	<3 years	Low	Low	Low
	3–6 years	Low	Medium	Medium
	6–20 years	Low	Medium	High

Climate-related metrics & targets

The below metrics are used either to track the performance of strategies designed to mitigate the impact of the principal climate-related risks, or as an internal measure of risk exposure. Emission reduction has been included in the long term incentive scheme from FY 2024 with the SBTi verified net zero reduction plan used as a basis to calculate targets. Performance against our stated sustainability KPIs is provided on pages 38 and 39. Current and historical greenhouse gas emissions, Scope 1 & 2, are available within the Streamlined Energy and Carbon Reporting framework and progress against our Net Zero roadmap is provided annually with details on the key initiatives within the sustainability section.

Metric category	Metric	Group targets	Performance	Link to identified risks and opportunities
Climate-related risk Greenhouse gas emissions Scope 1, 2 & 3 **Unit of measure** tCO_2e	Absolute Scope 1,2 & 3 emissions calculated in accordance with Greenhouse Gas Protocol guidance by an independent third party which is checked and verified internally.	Yes – Group target set, Net Zero by 2040 using 2019 as our baseline year. We align our definition of Net Zero to the SBTi corporate standard. Our Net Zero target includes our Scope 1, 2 & 3 emissions, using an operational control approach. Our near- and long-term targets were verified by SBTi in January 2024. We have set a near-term target to reduce our absolute Scope 1 & 2 GHG emissions by 70% by 2030, compared to a 2019 base year (aligned to well below 2°C) and a target to reduce our absolute Scope 3 emissions 28% over the same timeframe. We have also set a long-term target to reduce absolute GHG emissions from Scope 1, 2 & 3 by 90% by 2040 from a 2019 base year to be Net Zero by 2040. Aligned to the SBTi criteria we will offset our residual 10% emissions using carbon removal offsets at our Net Zero date.	Scope 1 & 2 saw a reduction of 18% versus 2019 base year.	Carbon taxes and levies.
Climate-related risk Waste management **Unit of measure** % of waste diverted from landfill	Proportion of total waste diverted from landfill, i.e. recycled or incinerated. Data is provided by a third party and corroborated with internal information.	Yes – Group target set – Zero operational waste to landfill by 2030. We underpin this target with an internal metric on recycling, with an ambition to achieve 80% of waste recycled by 2030.	98% of operational waste is diverted from landfill. We expect to achieve zero operational waste to landfill ahead of the 2030 target.	Carbon taxes and levies.
Climate-related risk Food waste **Unit of measure** Volume of food waste generated	Volume of food wasted. Data is provided by third parties and corroborated with internal information.	Yes – Group target set – Halve food waste by 2030 from 2019 baseline.	We have achieved 23% reduction of food waste from 2019 baseline.	Carbon taxes and levies.
Climate-related risk Proportion of estate exposed to flood risk **Unit of measure** % of estate	Proportion of sites within the estate identified as high or medium flood risk due to proximity to rivers and coasts.	No target set, used as an internal measure of risk exposure.		Physical risk – increased instances of severe weather events.
Climate-related opportunity Transition to renewable energy **Unit of measure** % and Megawatt Hour ('MWh')	% and MWh of energy consumption which is purchased from renewable sources. Data is provided by third parties and reviewed internally.	No target set, reported as an indicator of progress.	151 estate sites have been fitted with solar panels to date. In FY 2025 we expect a further 175 to be installed.	Carbon taxes and levies.
Climate-related opportunity Workforce competence **Unit of measure** Number of employees to complete training	Sustainability training made available to all employees. Sustainability included as part of the induction process.	Target 80% of General Managers to complete training and 90% of inductions to have included sustainability.	Around 18,000 people have completed the sustainability training and sustainability is planned to be integrated into inductions during FY 2025.	

Risks and uncertainties

Keeping risk under control

This section highlights the principal risks and uncertainties that affect the Group, 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 Group faces but focuses on those that are currently considered to be most relevant. Please also refer to how we link the key risks to our strategic priorities, on page 35.

Overview

Risk management is critical to the proper discharge of 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 for improvements is an integral and inseparable part of the management skills and processes which are at the core of our business.

There is a formally established Risk Committee in place which continues to meet on a quarterly basis to review both the key risks and emerging risks facing the business.

Key risks identified are reviewed and assessed by the Risk Committee in terms of their likelihood and impact and recorded on the Group's 'Key Risk Heat Map', in conjunction with associated agreed risk mitigation plans. The processes that are used to identify emerging risks and manage known risks are described in the Internal Control and Risk Management statement on pages 86 and 87.

Management support, involvement and enforcement is fundamental to the success of our risk management framework and members of the Executive Committee take 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 identifies an 'action owner', to ensure responsibilities are formally aligned.

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 risks across all areas of the business which have the potential to seriously damage our financial position, our shareholder value, our responsibilities to our staff and guests, our reputation and our relationships with key stakeholders. The Board has carried out an assessment of the Group's emerging and principal risks, resulting in the identification, assessment and management of risks across all areas of the business. The principal risks are subject to review each quarter by the Audit Committee, which is also attended by the Board.

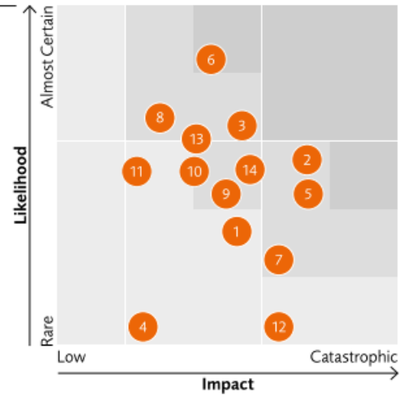
Key risk heat map

The Key risk heat map below includes an indication of the likelihood of a 'risk event' occurring in relation to each of the principal risks and the expected magnitude of the impact of each such event. The risk assessments in the graph are after taking into account the mitigating actions against each of the risks.

Key risk heat map

Risk key

1 ↓ Borrowing covenants
2 – Sales performance
3 – People planning and development
4 – Business continuity and crisis management
5 ↓ Information and cyber security
6 – Wage cost inflation
7 – Failure to operate safely and legally
8 ↓ Cost of goods – price increases
9 – Food supply chain safety
10 ↑ Health and lifestyle concerns
11 ↑ Environment and sustainability
12 ↓ Enforced Government closure/ trading restrictions
13 – Introduction of carbon taxes and levies
14 – Increased severity of extreme weather events



Our three lines of defence

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

Second
- Financial authority limits
- Risk management processes
- Audit Committee
- Risk Committee
- Health and Safety Team
- Technology specialists
- Legal support

Third
- Group Assurance
- Operational Practices Team

Risk category and description	High-level controls/mitigating activities	Movement
1. 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 net inflows; or ii. a material change in the valuation of the property portfolio. **Risk Decreasing** In July 2023 an increased bank facility of £200m was completed. This new facility contained a covenant package that provides increased trading headroom in the unsecured estate. As documented in the Going Concern note, the Directors have assessed a base case forecast and a severe but plausible downside scenario with headroom against all covenants and sufficient liquidity. Therefore the overall risk is decreasing.	• The Group maintains sufficient headroom against the covenants. The finance team conducts daily cash forecasting with periodic reviews at the Treasury Committee (the role of which includes ensuring that the Board Treasury Policy is adhered to, monitoring its operation and agreeing appropriate strategies for recommendation to the Board). • Each period the Treasury Committee meets and formally considers compliance with financial covenants and limits (both current and projected) for the following: – The securitisation (Free Cashflow and EBITDA to Debt Service). – Non securitised bank facilities. – Liquidity Policy headroom. – Compliance with all aspects of Board Treasury Policy. • In addition, regular forecasting and testing of covenant compliance is performed. • A detailed assessment of the mitigating risks is included in the Viability statement on page 53.	Risk Decreasing ↓
2. Sales performance This risk falls into the below 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 individually, together or in combination, may adversely affect our market share and profit, reducing headroom against securitisation tests. **Consumer and market insight:** If the Group 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. **Risk Stable** Overall, this risk remains stable.	• Right operational and commercial team and structure in place. Brand alignment ensures the right research is done and is acted upon. • 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 of the Group's guests, whom we can use for research purposes for quick and cost-effective insights. • Primary research in partnership with brand and 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 and insight-led innovation process and development for new brands. • Reduce guest complaints by improving the local management of social media responses (e.g. TripAdvisor responses). • Increased digital marketing activity including new loyalty apps. • Increased activity from takeaway and delivery offerings. • 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 brands is maintained. • Our priority is to continue to protect our team members and guests, providing an eating-out experience which can be enjoyed. We have very strong health and safety practices already in place in our businesses, which we will enhance and evolve to tackle the challenges we face. We will be transparent with guests as to these measures such that they can trust in us and will clearly communicate our expectations of guests to comply with the measures put in place.	Risk Stable ↔

Risks and uncertainties continued

Risk category and description	High-level controls/mitigating activities	Movement
3. People planning and development The Group has a strong guest focus and so 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 guest service levels would be affected. The external recruitment activity over the year has been challenging due to the lack of quality candidates being available. A further potential risk is the image of hospitality, given the recent pandemic impact. Retention is high amongst our Director and 'head of department' populations which may lead to a perceived lack of progression routes and hence unwanted loss of good talent at lower levels. Regarding retail labour, overall, there is a continued risk of a lack of quality of internal and external pipeline for key roles resulting in open vacancies or poor-quality appointments, leading to poor performance, reduced quality of service and loss of sales. There is a previous lack of consistent skills training affecting guest satisfaction and employee engagement and retention. Kitchen Manager attraction and attrition continues to be the highest concern, particularly given the decline in non-UK applicants, decrease in internal progression and increase in turnover which is influencing the overall risk rating. Wage pressure (over 25s) remains an issue, as competition for labour continues to increase. **Risk Stable** We have strong internal talent pools for a number of operational roles; however, it is sometimes difficult to recruit top Operations Director talent externally due to the competitive marketplace. Therefore, the risk remains stable.	• The Group 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. Please also refer to the Report on Directors' remuneration, on pages 92 to 112. • The apprenticeship programme will also assist in mitigating against the increasing risk in relation to non-UK workers. Please also refer to the Chief Executive's business review on pages 20 to 22. • Talent development and potential calibrations are carried out biannually to anticipate and address any risks/issues.	Risk Stable ↔
4. Business continuity and crisis management The Group 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 a further disease pandemic) might restrict sales or reduce operational effectiveness. **Risk Stable** Overall, the risk is stable. Staff have the resources and ability to work remotely rather than rely on access to the Retail Support Centre.	• The Group has in place crisis and continuity plans that are reviewed and refreshed regularly. • New ways of working are in place for all Retail Support Centre staff, to ensure when the office is temporarily closed to employees, there is little or no impact to staff, given that all staff have the appropriate resources available to them in order to work remotely and in an efficient manner. • We have assessed the risks associated with remote working and cyber security and are confident that those areas are suitably controlled.	Risk Stable ↔

Risk category and description	High-level controls/mitigating activities	Movement
5. Information and cyber security 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. Given the increase in the level and frequency of global cyber attacks, the likelihood of occurrence is therefore increasing, although current IT controls and monitoring tools are robust. Risk of non-compliance with data protection laws is an increasing risk for the business to ensure full compliance remains up to date. **Risk Decreasing** Overall, the risk is decreasing due to the ongoing review and improvement of cyber security controls. However, the increased activity, information security and reliance on IT systems continue to be a key focus to ensure critical IT systems are kept secure and tested frequently and any vulnerabilities identified are addressed efficiently.	• A review of cyber security processes is performed on a regular basis in order to highlight any gaps and address any challenges. As a result, a number of further improvements have been made (and continue to be made) to strengthen overall security cyber controls. • In addition, controls include: – The work carried out by the Group's cross-functional Information Security Steering Group. – Group Assurance IT reviews. – Implementation and revision of appropriate cyber security governance policies and procedures. – Ongoing security awareness initiatives continue to be undertaken. – A regular cycle of penetration testing. – Increased focus on protecting the business against potential cyber attacks has resulted in the implementation of additional controls to mitigate against such risks. – The effective implementation of a business-wide data protection compliance programme, including training of all relevant employees and contractors. – Systems, processes and controls have been reviewed and updated to ensure compliance with data protection laws. - Annual IT Security training is undertaken and reported on through the MABLE Learning Management system, with an emphasis on how to identify and defeat any external phishing attacks. - Annual review of cyber security technologies, policies and procedures to ensure we stay abreast of current developments in the IT Security threats and trends - We commission Bridewell's SOC (Security Operations Centre) to monitor user activity across the IT estate and to monitor and alert any incidents raised by the SIEM (Security Incident Event Monitoring) toolset. - We commission a third-party Security Operations Centre (SOC) to monitor user activity across the Group to monitor and alert any incidents to MAB.	Risk Decreasing ↓
6. Wage cost inflation There is a risk that increased costs associated with further increases to the National Living Wage may adversely impact upon overall operational costs. **Risk Stable** The immediate and future impact of National Living Wage and wage inflation (together with the impact of the Government's plans to increase National Insurance), is kept under regular review with updates provided to the Executive Committee and Remuneration Committee, as appropriate. The assumptions on the cost headwind form part of the business costs forecasting and assumptions with any cost headwind risks being addressed specifically.	• A detailed review of the risks associated with the National Living Wage has been completed. This review has been undertaken at a strategic level to ensure that the Group carefully manages productivity and efficiency across the estate. • The ongoing review of the impact, post-implementation of the National Living Wage and forthcoming increase to National Insurance, will continue to be monitored and reported to the Executive Committee and where necessary the Plc Board/Remuneration Committee. • The Group continues to work with UK Hospitality and other agencies to engage with the Government and the Low Pay Commission on future pay policy and prospects. • We have successfully implemented a time and attendance system to improve the management controls and reporting of staff hours.	Risk Stable ↔

Risks and uncertainties continued

Risk category and description	High-level controls/mitigating activities	Movement
7. 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 Group's or a brand's reputation. **Risk Stable** Overall, the risk continues to be stable. In particular, allergen-related incidents and near misses have stabilised.	• The Group maintains a robust programme of health and safety checks both within its restaurants, pubs and bars 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. • If a business is identified as underperforming in terms of health and safety standards, it is immediately targeted for improvement and then reassessed. • 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.	Risk Stable
8. Cost of goods – price increases **Food:** The cost of food for resale increases due to changes in demand, food legislation, exchange rates and/or production costs and uncertainty of supply, leading to decreased profits. **Drinks:** The cost of drinks for resale increases due to changes in demand, legislation, exchange rates and production costs, leading to decreased profits. **Utility costs:** Utility costs continue to remain stable, with only a minimal fluctuation in costs in the second half of FY 2024. **Goods not for resale:** Increases in the cost 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. **Risk Decreasing** The overall risk of inflation is easing given a number of factors, including: • Easing UK inflation • Easing utility costs • Improved availability of labour and raw materials Mitigation to inflation is sought where possible through a change of supplier, products, specification, range and an ongoing review and monitoring of energy cost management.	In order to reduce the overall impact of costs increases, the Group 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 in the world commodity markets gives the Group the opportunity to source products from a number of alternative suppliers in order to drive down cost. Consideration has been given to potential areas such as supply chain risk (e.g. customs controls on imports), labour risk and economic disruption. Key mitigating activities for food and drink are detailed below: Food: • A food procurement strategy is in place. • Full reviews are carried out on key categories to ensure optimum value is achieved in each category. • A full range review was completed in FY 2024 ensuring the correct number of products and suppliers. This is regularly reviewed. • 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 the Group's scale is leveraged, the supply base is rationalised, and consumer needs are met. • Good relationships with key suppliers. • Supplier collaboration programmes are in place. Energy: • Ongoing review of energy purchasing policy (covering short-term and medium-term energy purchasing). • The Group currently spot purchases its energy requirements and also enters into short and medium-term energy hedges as part of the overall energy purchasing strategy. • Energy Cost Price & Forecast Reports are produced and monitored. • Installation of solar panels at sites to reduce reliance on the grid. • Energy Ambassadors complete energy audits in every business.	Risk Decreasing

Risk category and description	High-level controls/mitigating activities	Movement
9. 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 cause an increase in cost of goods for resale and reduced sales due to consumer fears and physical harm to guests and/or employees. **Risk Stable** Risks facing the food supply chain safety are regarded as stable.	• The Group has a Safety Assurance team and uses a number of technical partners including food technologists, food safety experts, microbiologists, allergy consultants, trading standards specialists and nutritionists. • The Group 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 the Group's kitchens. Suppliers are then risk rated according to their products. • Each food supplier is audited at least once per year in respect of safety and additionally in response to any serious food safety complaint or incident. • A robust response has been taken to manage allergens and the associated data within the menu cycle, coupled with a continuous review in place to ensure the controls remain appropriate.	Risk Stable
10. Health and lifestyle concerns Failure to respond to changing consumer expectations in relation to health and lifestyle choices and our responsibility to facilitate those. **Risk Increasing** There is an increasing level of focus from media and Government on health and obesity issues. This heightened consumer awareness has increased consumer awareness of the health implications of their eating and drinking choices, and it is important that we continue to evolve our offers to facilitate consumers to make informed decisions. Failure to meet these expectations could have both a financial and reputational impact on the business. Therefore, this risk is increasing.	• We monitor changing behaviour in relation to health and lifestyle issues and adapt our brands to appeal to changing needs ensuring that the brands remain relevant and competitive. • We have set targets for ongoing sugar and salt reduction. • A plan is in place to provide nutritional information for all brands to allow customers to make informed decisions. Please also refer to Pride in our offers, on page 38.	Risk Increasing
11. Environment and sustainability Climate change, biodiversity depletion and environmental pollution present a risk to our ability to source products, with food being particularly at risk. **Risk Increasing** The impact of extreme and longer-term shifts in weather patterns, natural resource depletion and other effects of climate change could impact the business both financially and reputationally. These factors could disrupt our supply chain and the ability to source products due to reduced availability. Regulatory action to manage climate change could result in the introduction of additional taxes or restrictions being imposed. The business also has a responsibility to continually aim to reduce its usage of natural resources and its negative impact on the climate. Therefore, this risk continues to increase.	• We have set challenging targets in key areas such as greenhouse gas emissions, food waste, recycling and use of plastics (see pages 38 and 39). • We have completed an exercise to determine our baseline greenhouse gas emissions from which we have developed a plan to deliver our ambition of Net Zero emissions by 2040. Please also refer to our sustainability targets on pages 38 and 39. • We are working with the World Resources Institute on their Cool Food Pledge programme to reduce the emissions of food supply chain links, which is a significant contributor to emissions globally. • All direct palm oil purchases continue to be sourced from Rainforest Alliance approved suppliers. Please also refer to our Value creation story on pages 30 to 33. • We are working with industry collaboration groups to develop a roadmap to sourcing sustainable soy in our supply chain. • We are developing initiatives to reduce our consumption of natural resources, with an electricity workstream live in the business, and gas and water in the planning phases.	Risk Increasing

Risks and uncertainties continued

Risk category and description	High-level controls/mitigating activities	Movement
12. Enforced Government closure/ trading restrictions There is a risk that the business could be impacted by an enforced Government closure or imposed severe trading restrictions, of part or the whole of the estate, for example: regional and/or national and/or global pandemic, chemical and/or terrorist activity. A global pandemic may have a negative impact on the Group's operating and financial performance and liquidity. An outbreak of a global virus may cause severe disruptions in the global economy which could adversely affect the Group's business or operations, as well as the business or operations of third parties with whom the Group conducts business. **Risk Decreasing** The frequency and nature of these risks arising are unpredictable. However, given that Government trading restrictions have been lifted, the associated risks to the business have stabilised.	• Contingency plans are in place to review and respond to enforced Government actions and/or severe business disruption or trading restrictions. These should be subject to a formal review. • Business opening and closure processes have been updated. • Strong supply chain relationships are maintained to assist in the event of cancelling and/or returning stock orders. • Robust processes are in place to manage Government furlough schemes. • The Group, and in particular the Safety and Security Team, is able to adapt quickly and respond to a change in operational and functional processes, as a result of a pandemic and/or business closures. • Established communication cascade and mechanisms are in place for employees, guests and suppliers. • IT infrastructure, hardware, systems and employee support is in place to maintain remote working. • Key financial controls have been reviewed, assessed and updated to ensure they continue to be operated in the event of limited and/or no access to either the Retail Support Centre or businesses. • A high-level review has been undertaken to inform the required changes to business planning and operating procedures.	Risk Decreasing
13. Introduction of carbon taxes and levies This risk represents the impact on operating costs of the business both directly through taxation and indirectly through higher input costs which would result from the introduction of taxation and levies attributed to greenhouse gas emissions. **Risk Stable** Qualitative assessment has identified this risk as both high in impact and likelihood over the short to medium term. Whilst the risk is currently assessed as stable, the introduction of a form of carbon taxation is likely to be introduced as pressure mounts for progress to be made against the Government ambition to achieve Net Zero by 2050.	• The Group is a member of the UK Hospitality Sustainability Committee which enables us to have foresight over potential policy changes impacting the organisation. • The Group has developed a Net Zero strategy with a target date of 2040. The strategy has been developed in partnership with an independent third party. Please also refer to our sustainability targets, outlined on pages 38 and 39. • We have a number of initiatives underway designed to reduce our emissions in line with our Net Zero roadmap. The detailed plan for reduction will help to mitigate an element of potential cost, and a target date ahead of Government ambition will help to position the organisation ahead of the market average. Please also refer to our Task Force on Climate-related Financial Disclosures, on pages 40 to 45.	Risk Stable
14. Increased severity of extreme weather events This acute physical risk represents the risk to both revenue and the supply chain of increased severe events. Revenue would be impacted through the interruption to trade caused by both extremely hot weather and adverse weather such as rain and snow, and possible site closure as a result of flooding. In addition, the availability of products in the supply chain, in particular agricultural produce, could be impacted by severe weather having an effect on product availability and input prices. **Risk Stable** Following a qualitative assessment, which included a high-level review of previous interruption to trade resulting from extreme weather (as well as scientific forecasts as to the likely increase in extreme weather events), the overall risk is assessed as stable.	• The weather has a high level of impact on trading levels across the Group and therefore monitoring weather forecasts in relation to expected trading levels is a normal part of the financial planning of the Group. • This monitoring activity will enable the Group to identify when patterns of increased instances of extreme weather events begin to develop. • In relation to site closure due to damage to buildings, such as during flooding, we have insurance in place to recover the lost trade and required repairs. Our experience during closure has meant that we have developed strategies to close sites at short notice, such that in the instance of extreme weather significantly impacting trade we could close sites in order to mitigate some of the financial losses which we would be exposed to. • To manage the risk associated with our supply chain, we monitor and communicate with our suppliers closely giving us foresight over potential supply issues. We also have sufficient breadth of products and dishes across our brands such that supply issues with one product could be mitigated through switching to a substitute. Please also refer to our Task Force on Climate-related Financial Disclosures, on pages 40 to 45.	Risk Stable

Compliance statements

Corporate viability disclosure

In accordance with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have undertaken an assessment, including sensitivity analysis, of the prospects of the Group for a period of three years to September 2027.

Assessment period

Three years continues to be adopted as an appropriate period of assessment as it aligns with the Group's planning horizon in a fast moving market subject to changing consumer tastes in addition to economic and political uncertainties, and is supported by three year forecasts as approved by the Board. Beyond this period, performance is impacted by domestic and global political, macroeconomic and other considerations which become increasingly difficult to predict.

Assessment of prospects

The Group's financial planning process comprises a detailed forecast for the next financial period, together with a projection for the following two financial years.

The Group's strategy seeks to provide a strong capital base and long-term direction to protect the viability of the business model given prevailing and evolving market and economic conditions. The Directors' assessment of longer-term prospects has been made taking account of the current and expected future financial position and the principal risks and uncertainties, as detailed on pages 46 to 52 within the Annual Report.

The main trading risks facing the business relate to uncertainty surrounding the political and economic environment on both a domestic and global basis manifest as variability in consumer demand, cost headwinds and potential supply chain disruption. Longer-term further risk is identified around evolving consumer demands and tastes.

Key factors also considered in the assessment of the Group's prospects are a strong market position built on a diverse range of brands and offers trading from a well-positioned and largely freehold estate, supported by capital investment focused on development and premiumisation of offers and an appropriate remodel cycle. These are all anticipated to contribute to outperformance against the wider market.

Assessment of viability

As set out in the note to the Accounts on Going Concern, the principal funding arrangements of the Group consist of just under £1.2bn of long-term securitised debt which amortises on a scheduled profile over the next 12 years. Securitisation covenants are tested quarterly, both on an annual and a half year basis. In addition the Group has an unsecured committed facility for £200m, with financial covenants tested half yearly, and which expires within the three year term of this assessment, in July 2026. The unsecured facility is currently undrawn.

Following a number of years of very challenging trading, with the pandemic being followed by high cost inflation (notably wages and energy), profits have increased markedly this year as the Group has been able to trade throughout without restrictions, cost inflation has abated and sales have continued to grow. The principal short-term risks facing the business are now therefore assessed to be around generating further growth on this level of demand, in addition to mitigating further cost inflation. The Group has reviewed a number of forecast scenarios and sensitivities around these risks, including additional stress testing that has been carried out on the Group's ability to continue in operation under unfavourable operating conditions. In making this assessment the Group has taken the view that there will be no material further adverse impact of Covid-19 (or any other pandemic). Through the assessment period, the Group is forecasting sales growth consistent with current levels. Further, in the first year of the assessment period cost inflation is expected to be approximately 5% of the Group's cost base, however this is expected to decline to three to four per cent by the end of the period.

The Group's three year plan takes account of these risks, in addition to the prevailing economic outlook and capital allocation decisions, alongside limited mitigating activity such as improved operational efficiencies (notably stock and labour management and energy saving initiatives) to manage costs. In the base case scenario the Group remains within solvency covenant limits and has access to sufficient liquidity to meet its outgoings.

It is noted that there is a requirement to refinance the unsecured facilities during the assessment period, in July 2026. It is considered that this can be accommodated within the debt capacity of the business given future anticipated profitability and the strength of the creditor relationships exhibited in previous refinancing exercises. The resilience of this base case plan is then assessed through the application of forecast analysis, focused in particular on growth of demand and levels of input cost inflation during the current financial period as well as on a longer-term basis. Sensitivities of the following risks described in the Annual Report have also been applied individually to the base plan.

- Declining Sales Performance (Risk event 2): 3% lower sales growth rate on average from December 2024 to end of H1 FY 2026 and 1% lower thereafter;
- Cost of Goods Price Increases (Risk event 8): 2% increase in direct Cost of Goods (Drink and Food) in FY 2025, and 1% in FY 2026 and FY 2027;
- Increased Wage Cost Inflation (Risk event 6): 1% in FY 2026 and FY 2027;
- Increased utilities cost (Risk event 8): additional £15m in FY 2025, £10m in FY 2026 and £5m in FY 2027; and
- A scenario combining all of the above sensitivities, with some limited mitigating activities, which reduces operating profit by £48m, £72m and £93m in FY 2025, FY 2026 and FY 2027 respectively.

Liquidity and solvency based on financial covenants (Risk event 1) on both secured debt and unsecured facilities are assessed in all scenarios. In all scenarios the Group continues to remain profitable with sufficient liquidity and no forecast covenant breaches.

Viability statement

The Directors have concluded, based upon the extent of the financial planning assessment, sensitivity analysis, potential mitigating actions and current financial position that there is a reasonable expectation that the Group will have access to sufficient resources to continue in operation and meet all its liabilities as they fall due over the three year period to September 2027.

Compliance statements continued

Non-financial and sustainability information statement

The Group has complied with the requirements of Section 414CB of the Companies Act 2006 by including certain non-financial information within the report. This can be found as follows:

- Business model on pages 26 to 29.
- Information regarding the following matters can be found on the following pages:
  - Environmental matters on pages 38 to 45;
  - Employees on page 31;
  - Social matters on pages 30 to 33;
  - Respect for human rights on pages 70, 84 and 85; and
  - Anti-corruption and anti-bribery matters on pages 84 and 85.

Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 46 to 52 including a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.

- All key performance indicators of the Group, including those non-financial indicators, are on pages 36 and 37.
- The Financial review section on pages 56 to 58 includes, where appropriate, references to, and additional explanations of, amounts included in the accounts.

Section 172 Companies Act statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have given regard, amongst other matters, to the following considerations in the decisions taken during the financial period ended 28 September 2024:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, guests and others;
- the impact of the Company's operations on the community and environment;
- the desirability for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board has a duty under Section 172 Companies Act 2006 to promote the success of the Company and, in doing so, must take account of the effect on other stakeholders of how it manages the business of the Company, whether these stakeholders are from within the Company, in its Group or outside the Company and its Group. Throughout the year the Board has kept in mind these responsibilities as it has supervised and monitored the business activities and prospects of the Company and as it has considered, and, where appropriate, made decisions relating to strategic aspects of the Company's affairs.

In addition, the 2018 UK Corporate Governance Code specifically requires that the Board should understand the views of the Company's key stakeholders (including employees, suppliers, customers and others) and keep stakeholder engagement mechanisms under review so they remain effective. The 2018 Code also recommends that there should be regular reporting as to how the Board has complied with this engagement approach in its decision-making processes and how the interests of different shareholders have been considered.

In carrying out these functions, the Board had regard to those stakeholders which it had identified as being of significant importance. These are the Company's shareholders, those employees of the Mitchells & Butlers Group who were likely to be affected by the activities of the Company (including their job security and entitlements in terms of pay, pensions and other benefits), guests who purchase goods and services provided by the Company, suppliers to the Company, whether they are external to the Mitchells & Butlers Group or within that Group, governmental authorities such as HMRC and regulatory bodies, the Trustees of the Group's pension schemes, providers of finance to the Group including its banks and bondholders, real estate property counterparties (whether as landlords or tenants) and those specific entities or individuals who are likely to be affected by the outcome of the relevant matter falling for consideration on a case-by-case basis.

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 risks across all areas of the business which have the potential to seriously damage our financial position, our shareholder value, our responsibilities to our staff and guests, our reputation and our relationships with key stakeholders. Established communication cascade and mechanisms are in place for employees, suppliers and guests: engagement with employees is discussed on page 69 of the Directors' report, which sets out the various platforms for employee communications, facilitated by Dave Coplin, a Non-Executive Director who acts as the 'employee voice'; engagement with key, critical suppliers is addressed on page 77 of the Corporate Governance Statement which describes the supplier tiering process; and engagement with guests is discussed on page 104 of the Report on Directors' remuneration which describes the mechanisms for providing guest feedback.

The Company's culture is embodied in a set of PRIDE values of Passion, Respect, Innovation, Drive and Engagement which underpin its key priorities of People, Practices, Profits and Guests. The Board observes these PRIDE values in discharging its everyday responsibilities in order to ensure that decisions taken are in line with the Company's values and objectives. High standards of business conduct are expected, in furtherance of which the Board has implemented a Code of Ethics, which is fully described on pages 84 and 85 of the Corporate Governance Statement, and a declaration of compliance with the Modern Slavery Act 2015 (including a Supplier Code of Conduct) is dealt with on pages 70 and 71 of the Directors' report. Appropriate scrutiny of the environmental impact of the Group's activities is included in the Sustainability section of the Strategic Report on pages 38 and 39.

Not all of those stakeholders' interests fall for consideration in each set of circumstances which the Board has to consider. However, as and when a particular matter falls for review by the Board, it first seeks to identify those stakeholders which are likely to be impacted by the decision of the Board, and then the Board discusses the respective interests of those stakeholders as well as the consistency (or otherwise) of the relevant proposal with the Board's existing, or any proposed change(s) to its, strategic plan.

Major matters considered by the Board during the period included consideration of the UK hospitality market as a whole, including its strengths, weaknesses, and potential opportunities together with the wider macroeconomic environment; the progress of the sustainability strategy; and the Group's initiative in conjunction with the Social Bite charity as part of its sustainability goals. In considering these matters, the Board looked not only at the position and prospects of the Company, but also took into consideration the wider Mitchells & Butlers Group as a whole.

Having identified the relevant stakeholders and their interests in relation to specific matters or particular circumstances, the Board then assessed the relevant weighting of those interests in considering and eventually reaching its conclusions, whilst being mindful of the need to comply with the Group's obligations of its securitisation arrangements and other financial arrangements.

In reaching its decisions, the Board was mindful of the need to seek to preserve the integrity of the Company's business so as to allocate its resources in such a way as to ensure creditors' interests and the interests of other stakeholders such as employees and guests were not prejudiced.

Board papers set out the rationale for the proposals and the relevant decisions were made after discussion amongst the Board members with appropriate legal, accounting, HR and treasury input. The processes implemented by the Board included regular meetings to consider key developments as well as the provision of training, if requested by a Director, in relation to their responsibilities as directors of a limited company, including the responsibilities under Section 172 Companies Act 2006.

Specific consideration was given in the decision-making processes implemented by the Board to how the manner in which the Company operated, and the specific proposals it was asked to consider, aligned to its strategic goals as described on pages 34 and 35 and its agreed purpose as referred to on page 07.

The Board also confirmed that, in discharging its responsibilities for management, supervision and control of the Company's business and its affairs, it would seek to align to the Mitchells & Butlers Group PRIDE Values of Passion, Respect, Innovation, Drive and Engagement as set out on page 27 of this Annual Report.

Throughout this Annual Report we provide examples of how we take these considerations into account. The Board values the importance of effective stakeholder engagement and believes that stakeholders' views should be considered in its decision-making. Details of how we engage with various stakeholders can be found on pages 30 to 33.

Financial review

Our financial and operating performance

"On a statutory basis, profit/(loss) before tax for the financial year was £199m (FY 2023 £(13)m), on sales of £2,610m (FY 2023 £2,503m)."

Tim Jones
Chief Financial Officer

The Group Income Statement discloses adjusted profit and earnings per share information that excludes separately disclosed items, determined by virtue of their size or nature, to allow a more effective comparison of the Group's trading performance from one period to the next.

Last year, FY 2023, was a 53-week reporting period therefore 52-week results are additionally disclosed for year-on-year comparison purposes.

	Statutory (FY 2023 53 week)		Adjusted[a] (FY 2023 52 week)	
	FY 2024 £m	FY 2023 £m	**FY 2024 £m**	FY 2023 £m
Revenue	**2,610**	2,503	**2,610**	2,459
Operating profit	**300**	98	**312**	221
Profit before tax	**199**	(13)	**211**	112
Earnings per share	**25.0p**	(0.7p)	**26.4p**	15.6p
Operating margin	**11.5%**	3.9%	**12.0%**	9.0%

At the end of the period, the total estate comprised 1,726 sites in the UK and Germany of which 1,654 are directly managed.

Revenue

Total revenue of £2,610m (FY 2023 £2,503m) reflects a strong period of trading driven by sustained like-for-like sales[a] growth.

Like-for-like sales[a] in the first half increased by 7.0%, comprising an increase in like-for-like food sales[a] of 7.7% and of like-for-like drink sales[a] of 6.0% driven by strengthening spend per head. Over the second half like-for-like sales growth was impacted, as expected, by the easing inflationary environment as well as an unseasonably wet and cool summer and riots in some city centres during August. Volumes of food and drink were in decline of c.1.5% across the year.

Like-for-like sales[a]:

	Weeks 1–15 Q1	Weeks 16–28 Q2	Weeks 29–42 Q3	Weeks 43–52 Q4	**Weeks 1–52 YTD**
Food	8.7%	6.6%	2.6%	2.6%	**5.3%**
Drink	6.6%	5.3%	4.0%	3.4%	**4.9%**
Total	7.7%	6.1%	3.4%	3.4%	**5.3%**

The current underlying rate of growth of like-for-like sales[a], as measured over the first seven weeks of the new financial period, is 4.0%. The subsequent week was adversely impacted by comparison against Black Friday promotional activity last year, a timing difference that reverses a week later, resulting in growth over the first eight weeks being 2.7%.

Total sales grew by 4.3% against last financial year and by 6.1% on a 52-week basis.

Separately disclosed items

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

Within the context of the overall valuation of the Group's freehold and long leasehold land and buildings (as set out in Section 3 of the notes to the financial statements), a £14m reduction in value is recognised relating to valuation and impairment of properties, comprising a £4m increase in value arising from the revaluation of freehold and long leasehold sites, a £17m impairment of right-of-use assets and a £1m impairment of computer software. The £4m tax credit relates to these impairments.

Other separately disclosed items include a net profit arising on property disposals of £2m. Refer to note 2.2 for comparative information.

Operating profit and margins[a]

Adjusted operating profit[a] was £312m (FY 2023 £221m), an increase of 41.2% on a 52-week basis. Adjusted operating margin of 12.0% was 3.0ppts higher than last year driven by strong like-for-like sales[a] growth, reduced cost inflation and operating efficiencies. Statutory operating profit was £300m (FY 2023 £98m) with statutory operating profit margin of 11.5% (FY 2023 3.9%).

The aggregate net cost headwind for the financial year was slightly less than 3% of our cost base of c.£2.0 billion, after some offset from deflation in energy prices. Looking forward, cost headwinds are now anticipated to increase to c.£100m for FY 2025, representing just over 5% on the cost base. Against a generally benign backdrop of general inflation (including food and drink inputs) by far the most significant increase is now expected in relation to labour costs due both to increases in the statutory National Living Wage and in the recently announced increase in Employer National Insurance contributions, both of which take place from April 2025. We anticipate that energy costs, of which just over one half have been bought forward, will broadly stabilise overall with no further deflation.

Interest

Net finance costs of £99m (FY 2023 £108m) for the financial year were £9m lower than the same period last year. The net pensions finance charge was £2m (FY 2023 £3m). This is anticipated to be a credit of £7m this year, FY 2025, following recognition of the net surplus funding position across the schemes.

Earnings per share

Basic earnings (losses) per share, after the separately disclosed items described above, were 25.0p (FY 2023 earnings (0.7)p), with adjusted earnings per share[a] of 26.4p (FY 2023 15.6p on 52-week basis).

The basic weighted average number of shares in the period was 595m and the total number of shares issued at the balance sheet date was 598m.

Cash flow

	FY 2024 £m	FY 2023 £m
EBITDA before movements in the valuation of the property portfolio	**444**	362
Non-cash share-based payment and pension costs and other	**10**	6
Operating cash flow before movements in working capital and additional pension contributions	**454**	368
Working capital movement	**15**	(1)
Pension escrow return	**35**	–
Pension deficit contributions	**(1)**	(8)
Cash flow from operations	**503**	359
Capital expenditure	**(154)**	(157)
Acquisition of Pesto Restaurants Limited	**(2)**	–
Acquisition of 3Sixty Restaurants Limited	**–**	(17)
Cash acquired on acquisition of 3Sixty Restaurants Limited	**–**	5
Net finance lease principal payments	**(40)**	(52)
Interest on lease liabilities	**(17)**	(16)
Net interest paid	**(82)**	(90)
Tax	**(18)**	(3)
Purchase of own shares	**(7)**	–
Other	**2**	1
Net cash flow before bond amortisation	**185**	30
Mandatory bond amortisation	**(123)**	(116)
Net cash flow	**62**	(86)

This was a very strong period of cash generation. EBITDA, before movements in the valuation of the property portfolio increased sharply as a result of an improved trading performance to £444m, which converted to net cash inflow for the period before bond amortisation of £185m (FY 2023 £30m) helped by a number of non-recurring items in the form of the return of historic pensions contributions from escrow, use of tax losses and timing on working capital flows.

After all outgoings, including mandatory bond amortisation of £123m (including net impact of currency swaps), cash inflow was £62m (FY 2023 outflow £86m).

Financial review continued

Capital expenditure

Capital expenditure of £154m (FY 2023 £157m, including £3m intangible assets) comprises £152m from the purchase of property, plant and equipment and £2m in relation to the purchase of intangible assets.

	FY 2024		FY 2023	
	£m	Number	£m	Number
Maintenance and infrastructure	**58**		67	
Remodels – refurbishment	**69**	**170**	65	127
Remodels – expansionary	**2**	**8**	4	7
Conversions	**10**	**11**	11	11
Acquisitions – freehold	**12**	**4**	9	4
Acquisitions – leasehold	**3**	**2**	1	2
Total return generating capital expenditure	**96**	**195**	90	151
Total capital expenditure	**154**		157	

Maintenance and infrastructure spend included investment of £9m towards our sustainability ambitions, such as solar panels and electrified kitchen equipment, as well as £4m towards digital and technological improvements. Maintenance and infrastructure spend was slightly lower than prior year due to reduced spend on IT infrastructure and hardware.

During the period we have made good progress on increasing the number of completed investment projects, and we remain committed to resumption of an average seven-year refurbishment cycle across our estate, although supply chain constraints, notably in securing timely planning consent, continue to prove a challenge.

Four freehold sites were acquired in the year comprising new sites in York, Nunthorpe and Fitzrovia and the acquisition of the freehold of a site previously operated as leasehold in Edinburgh. Both of the leasehold acquisitions relate to new Alex sites in Germany.

Pensions

Both the main pensions schemes of the Group are now substantially de-risked. The Main Plan completed a full scheme buy-in last year, and the Executive Plan most recently completed a full scheme buy-out late this year. No further employer contributions are therefore being made to either scheme. In the year a return of £35m of historic contributions was made to the Group from amounts held in escrow with respect to the Main Plan. A further return of £12m, relating to the monies left in the Executive Plan escrow account, has been received after the balance sheet date.

One further scheme, remains. This is closed and unfunded and has estimated liabilities of £25m.

Over the course of the year agreement was reached to use any surplus arising in the Main Plan to pay for employer contributions in the defined contribution section of that Plan. As this is a change in the Trustee's agreed use of the surplus compared to prior years the full value of the surplus of £164m is now recognised in this year's accounts as an economic benefit to the company.

Net debt and facilities

On the back of a strong cash performance, net debt[a] at the period end reduced to £1,436m, comprised of £989m non-lease liabilities and lease liabilities of £447m (FY 2023 £1,633m comprised of £1,170m non-lease liabilities and lease liabilities of £463m). This represents a multiple of 3.2 times EBITDA over the last year including lease liabilities (2.2 times excluding these liabilities).

Further details of existing debt arrangements and an analysis of net debt can be found in Note 4 to the financial statements and at https://www.mbplc.com/infocentre/debtinformation/.

Going Concern

After considering forecasts, sensitivities and mitigating actions available to management and having regard to risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. Accordingly, the financial statements have been prepared on the going concern basis. Full details are included in Section 1 of the notes to the financial statements.

Approval of the Strategic Report

Our strategic report on pages 18 to 58 has been reviewed and approved by the Board.

Tim Jones
Chief Financial Officer
26 November 2024

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 186 to 189 of this report.

Governance

Outlines how the Group monitors its actions, policies, practices and decisions as well as the effect of those actions on its stakeholders.

In this section

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Governance at a glance

The Board believes that good corporate governance is essential to enable us to deliver our purpose for all our stakeholders. It remains a top priority for the Board.

The Company is committed to the principles of the 2018 Corporate Governance Code published by the Financial Reporting Council, which sets out standards of good practice for listed companies.

Governance highlights

Highest ever retail engagement score
(beating FY 2023's record high)

85.3

See page 93

Gender pay gap (for the Group)

5.9%
Mean

1.7%
Median

See page 108

Board and Committee meeting attendance

100%

The Board holds regular scheduled meetings during the year and on an ad-hoc basis as and when required. During the year eight Board meetings were held and the attendance is set out below. Members of the executive team attended Board meetings as and when appropriate.

Executive Directors' Company pension contributions were fully aligned with that of the wider workforce (4%) on 1 January 2024

See page 99

Attendance levels at Board and Committee meetings

Directors who served during the year	Board	Audit Committee	Remuneration Committee	Nomination Committee
Bob Ivell	8 (8)	n/a	4 (4)	0 (0)
Keith Browne	8 (8)	n/a	n/a	n/a
Amanda Brown	8 (8)	4 (4)	4 (4)	0 (0)
Dave Coplin	8 (8)	4 (4)	4 (4)	0 (0)
Eddie Irwin	8 (8)	n/a	n/a	0 (0)
Tim Jones	8 (8)	n/a	n/a	n/a
Josh Levy	8 (8)	n/a	4 (4)	n/a
Jane Moriarty	8 (8)	4 (4)	4 (4)	0 (0)
Phil Urban	8 (8)	n/a	n/a	n/a

The numbers in brackets in the table above confirm how many meetings each Director was eligible to attend during the year.

Focus areas for FY 2025

Growth
- Support and oversight of the growth of the business via our Ignite programme, to drive cost efficiencies and increase sales; and
- Systematically enhance the amenity of our estate through our established capital programme.

See pages 34 and 35

Strategy
Deliver our strategic plan delivering targeted and profitable growth.

See page 20

Sustainability
- Continue to deliver emissions reduction in line with our Net Zero roadmap;
- Increase proportion of waste diverted from landfill;
- Decrease levels of food waste; and
- Expand charitable partnerships.

See page 22

People
- Roll out of a talent system which will further support the development of our internal talent pipeline;
- Evolution of our employee value proposition; and
- Continued work on our DEI initiatives including employee affinity groups on ethnicity, neurodiversity and gender.

See page 22

Risk
Reduce the impact of key risks facing the business.

See pages 46 to 52

Board and Committee structure

The Board

Chair
Bob Ivell
The Chair is accountable to shareholders for leading the Board and ensuring the Board receives timely, accurate information to take good decisions for the benefit of all stakeholders.

Senior Independent Director
Jane Moriarty
The Senior Independent Director supports the Chair on all governance issues and provides a communication channel between the Chair and the Non-Executive Directors.

Non-Executive Directors
The Non-Executive Directors support and constructively challenge the executive team.

Committees

Audit Committee
Chair – Jane Moriarty
See pages 88 to 91

Remuneration Committee
Chair – Amanda Brown
See pages 92 to 112

Nomination Committee
Chair – Bob Ivell
See page 83

Market Disclosure Committee
Chair – Bob Ivell
See page 83

Executive Directors

Phil Urban (CEO)
Tim Jones (CFO)

The Board has delegated the day-to-day running of the Group to the Chief Executive Officer. The Executive Directors make and implement operational decisions to run the Mitchells & Butlers business on a day-to-day basis. To support the Chief Executive Officer in discharging his responsibilities, he is supported by the Executive Committee.

The Executive Committee is responsible for ensuring that each of the Group's businesses and functions are managed effectively and that the key performance indicators of the Group, as approved by the Board, are achieved. The Executive Committee, chaired by the CEO, ensures the execution of the Company's strategy and the day-to-day management of the business. Certain other responsibilities have been delegated to specialist committees and further details are given on pages 83 and 84.

Board tenure for Chair and Non-Executive Directors
The UK Corporate Governance Code states that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board and that circumstances which are likely to impair, or could appear to impair, a Non-Executive Director's independence include service on the Board for more than nine years from the date of their first appointment. Of the Non-Executive Directors and Chair, four Directors currently have less than nine years' Board service.

Chair's introduction to governance

"Dear fellow shareholders, I have pleasure in updating you on our progress in corporate governance over the past year."

Bob Ivell
Chair

As at 28 September 2024, the Company had more than 50,000 employees and one of the key roles for the Board is to provide leadership for them and maintain the highest possible standards of corporate governance.

The Company is required to report under the 2018 UK Corporate Governance Code (the '2018 Code'). The 2018 Code places emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that is aligned with the Company's purpose and business strategy, promotes integrity and values diversity and sets the expectations for reporting the Board's involvement in these areas. Some of these aspects of the 2018 Code are reflected in the Strategic Report on pages 18 to 58, which sets out the Group's strategy, progress and performance for the year. Meanwhile, the Board-focused corporate governance aspects of the 2018 Code are reflected in the Corporate Governance Statement on pages 75 to 87, which sets out the Company's compliance against published governance requirements where there is a narrative explanation as to how the Board has approached compliance with, or in a few limited areas divergence from, the Code's best practice guidance.

Climate change reporting requirements continue to occupy the Board and details are included in that section of the Strategic Report on pages 40 to 45. Phil Urban heads our climate change policy initiatives, and while this area remains a responsibility of the entire Board, the Corporate Responsibility Committee manages and monitors the detail of the Group's approach to this important topic. The Board oversight of climate-related risks and opportunities is set out on page 41 in our climate-related disclosures.

Sales growth remained robust over FY 2024, with consistent market outperformance. Cost headwinds will remain a challenge for the year ahead, particularly in relation to labour costs, however we are well placed to continue to manage these costs whilst keeping guest experience at the centre of everything we do. Guest scores remain strong and ahead of the market, and we have delivered exceptional people metrics during the year. Our focus remains on delivering sales growth and efficiency gains, through our established Ignite and capital programmes, to deliver continued profit growth in the year ahead.

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 will continue to be on maintaining a strong team, with a broad range of professional backgrounds, experience from both within our sector and in other industries and businesses and communication skills to drive further improvements where possible. From a governance standpoint, the basic governance arrangements already in place are unchanged since FY 2022, with the exception of additional procedures and reporting arrangements put in place in order to comply with climate change and diversity reporting requirements. Certain aspects of the 2018 Code could not be, and were not, complied with in FY 2024. These deviations from the 2018 Code are fully explained on pages 79 and 80 in the Corporate Governance Statement in line with the 'Comply or Explain' regime which forms an intrinsic part of that 2018 Code.

The 2018 Code states that there should be a formal and rigorous annual evaluation of the performance of the Board, its committees, the chair and individual directors and that the chair should consider having a regular externally facilitated Board evaluation. In FTSE 350 companies this should happen at least every three years and an externally facilitated review of the Board's effectiveness last took place in 2018. Subsequently, the Board decided that the interests of shareholders would be better served by the Board focusing on the business and consequently no external evaluation has taken place since. The Board will review this approach as and when it feels it necessary to do so in the context of the circumstances in which the Group is operating. Although there was no formal evaluation carried out during the year, I remain satisfied that the skills, contributions and experience of the Board are appropriate for the challenges faced by the Group during the year and for the future. You can read the Board biographies on pages 64 and 65.

The new UK Listing Rules came into effect on 29 July 2024 and replaced the previous Listing Rules, and so all Listing Rule references in this Annual Report have been updated accordingly. The remainder of this Corporate Governance Statement contains the narrative reporting required by the 2018 Code, the UK Listing Rules and the Disclosure Guidance and Transparency Rules. I hope that you find this Corporate Governance Statement 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. The Chair of each of our Audit Committee and Remuneration Committee and the Senior Independent Director are available for dialogue with shareholders on any significant matters in relation to their areas of responsibility if this is needed and you can read their reports on pages 88 and 92 respectively.

The Annual General Meeting will be held in January 2025 and all shareholders are welcome to attend. For those shareholders who cannot attend but would like to hear the proceedings, we will also supply a telephone listen-only facility. Full details are set out in the separate Notice of AGM published with this Annual Report.

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 looks to rebuild the business and continues to focus on driving future profit growth and creating additional shareholder value.

Bob Ivell
Chair
Mitchells & Butlers plc

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

Board of Directors

A strong leadership team

Our broad range of Board talent covers a variety of professional skills, and our diverse group of Non-Executive Directors continues to bring much experience and challenge to the Board.

Key to Committee membership

- (A) Audit Committee
- (R) Remuneration Committee
- (N) Nomination Committee
- (M) Market Disclosure Committee
- (E) Executive Committee
- (C) Corporate Responsibility Committee
- (P) Pensions Committee

Amanda Brown
Non-Executive Director
(A)(R)(N)(C)

Amanda joined the Board in July 2022 as an independent Non-Executive Director. She is Remuneration Chair of Entain plc and Manchester Airport Group, and was formerly the Chief Human Resources Officer of Hiscox Limited, and was a Non-Executive Director and Chair of the Remuneration Committee of Micro Focus International PLC. She previously held senior executive roles with Whitbread Group PLC, PepsiCo, Inc and Mars, Inc. Amanda is Chair of the Remuneration Committee.

Keith Browne
Non-Executive Director
(P)

Appointed as a Non-Executive Director in September 2016, Keith is a nominated shareholder representative of Elpida Group Limited, which, as part of the Odyzean Group, is a significant shareholder in Mitchells & Butlers. He is a Non-Executive Director of Grove Limited, the holding company of Barchester Healthcare Limited. 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
Non-Executive Director
(A)(R)(N)(C)

Appointed as an independent Non-Executive Director in February 2016, Dave is the Chief Executive Officer and founder of The Envisioners Limited. He 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 30 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 modern society, both inside and outside of the world of work. Dave is also a Non-Executive Director of each of the Pensions and Lifetime Savings Association and Vianet Group plc.

Bob Ivell
Non-Executive Chair
(R)(N)(M)(C)(P)

Appointed to the Board in May 2011, Bob has over 40 years of extensive food and beverage experience with a particular focus on food-led, managed restaurants, pubs and hotels. He is currently a board member of UK Hospitality and was previously Senior Independent Director of AGA Rangemaster Group plc and Britvic plc, and a main board Director of S&N plc as Chair and Managing Director of its Scottish & Newcastle retail division. He has also been Chair of Carpetright plc, 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, the Pensions Committee, the Market Disclosure Committee and the Corporate Responsibility Committee.

Phil Urban
Chief Executive
(M)(E)(P)

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 Chair 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
Chief Financial Officer
(M)(E)(P)

Tim was appointed Chief Financial Officer 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 obtained an MA in Economics at Cambridge University.

Eddie Irwin
Non-Executive Director
(N)(C)

Appointed as a Non-Executive Director in March 2012, Eddie is a nominated shareholder representative of Elpida Group Limited which, as part of the Odyzean Group, is 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 Limited, 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 Chartered Governance Institute.

Josh Levy
Non-Executive Director
(R)(P)

Appointed as a Non-Executive Director in November 2015, Josh is a nominated shareholder representative of Piedmont Inc., which, as part of the Odyzean Group, is a significant shareholder in Mitchells & Butlers. Josh is Co-Chief Executive Officer of Tavistock Group, and a member of the Board of Directors and Executive Committee. He also serves as Chief Executive Officer of specialist asset-based lender Ultimate Finance Group and is a Non-Executive Director of the Australian Agricultural Company, Australia's largest integrated cattle and beef producer.

Jane Moriarty
Senior Independent Director
(A)(R)(N)(C)(M)

Appointed as an independent Non-Executive Director in February 2019, Jane is a Fellow of the Institute of Chartered Accountants in Ireland, and currently a Non-Executive Director of Babcock International Group PLC, NG Bailey Group Limited, Quarto Group Inc., Tennants Consolidated Limited and Nyrstar NV. Jane was previously a senior advisory partner with KPMG LLP. Jane is Chair of the Audit Committee.

Directors' report

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; and
- Considering all policy matters relating to the Company's activities including any major change of policy.

For FY 2024, the Board is reporting under the 2018 Code. Further information is set out in the Strategic Report on pages 18 to 58 which examines the 'purpose' aspect of the 2018 Code and in the Corporate Governance Statement on pages 75 to 87, which describes the Company's approach and practices in relation to the 2018 Code.

For the Company's latest financial information
Go to www.mbple.com/investors

The Directors present their report on the affairs of the Group and the audited financial statements for the 52 weeks ended 28 September 2024. The Business review and Sustainability review of the Company and its subsidiaries are given on pages 20 to 22 and pages 38 and 39 respectively 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 46 to 52, 86 and 87, and details about financial instruments are shown in note 4.3 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 36 and 37.

The Company's Directors pay due regard to the need to foster the Company's business relationships with suppliers, guests and others. Details of the Company's engagement process with various stakeholders and different tiers of suppliers, together with the effect of such consideration on the principal decisions taken by the Company during the financial period, are set out in the section discussing the Company's business model on pages 26 to 29 and in the statement made in compliance with Section 172 of the Companies Act 2006 set out on page 54.

This report has been prepared under current legislation and guidance in force at the year end date. In addition, the material contained on pages 18 to 58 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

During FY 2024, the Group had activities in, and operated through, pubs, bars and restaurants in the United Kingdom and Germany. In May 2024, the Group acquired the entire share capital of Pesto Restaurants Ltd, a group of 10 restaurants based in the UK. Further details are set out in note 5.1 to the financial statements. A summary of the performance of the business is set out on page 92.

A full list of the Company's subsidiaries and their respective country of operation is given on page 178 of the Annual Report.

Share capital and voting rights

The Company's issued ordinary share capital as at 28 September 2024 comprised a single class of ordinary shares of which 598,057,671 shares were in issue and listed on the London Stock Exchange (30 September 2023 597,726,859 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 5,512,147 shares. Details of movements in the issued share capital can be found in note 4.7 to the financial statements on page 174.

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 proposed at 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 UK 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 period, shares with a nominal value of £28,257 were allotted under all-employee schemes as permitted under Section 549 of the Companies Act 2006. No securities were issued in connection with a rights issue during the period.

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 shown on page 110 in the Report on Directors' remuneration.

Dividends

No Final Dividend will be paid in respect of the financial period ended 28 September 2024 (FY 2023 nil). No Interim Dividend was paid during the period (FY 2023 nil).

Interests in voting rights

As at 28 September 2024, the Company was aware of the significant holdings of voting rights (3% or more) in its shares shown in Table 1 below.

Table 1: Interests in voting rights as at 28 September 2024

Shareholder	Ordinary shares	% of share capital[a]	
Odyzean Limited[b]	338,833,695	56.66%	Indirect holding
Artemis Investment Management LLP	29,976,671	5.01%	Indirect holding
Lansdowne Partners (UK) LLP	29,633,363	4.95%	Indirect holding
Standard Life Aberdeen plc	29,260,403	4.89%	Indirect holding
Standard Life Aberdeen plc (rights to recall lent shares)	170,000	0.03%	Indirect holding

a. Based on the total voting rights figure as at 28 September 2024 of 598,057,671 shares.
b. As the parent company of each of Piedmont Inc., Elpida Group Limited and Smoothfield Holding Ltd.
Percentages are rounded to two decimal places.

On 24 October 2024, Artemis Investment Management Limited increased its holding to 36,408,331 shares (6.08%).

Directors

Details of the Board Directors as at 26 November 2024 and their biographies are shown on pages 64 and 65. The Directors as at 28 September 2024 and their interests in shares are shown on page 110.

In relation to the appointment and removal of Directors the Company is governed by its Articles of Association and the Companies Act 2006 and related legislation. 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 the best practice guidance of the 2018 Code) all the Directors will retire at the Annual General Meeting and will offer themselves for re-election.

Major shareholder Board representation and relationship agreement

The Company's largest shareholder is Odyzean Limited ('Odyzean'), which holds approximately 56.66% of the Company's issued share capital and was formed in 2021 to consolidate the shareholdings of the Company's then three largest shareholders, Piedmont Inc. ('Piedmont'), Elpida Group Limited ('Elpida') and Smoothfield Holding Limited ('Smoothfield') (together with Odyzean, the 'Odyzean Group') in connection with the Open Offer.

The Board is grateful for the significant financial commitment provided by the Odyzean Group to the business, together with its 1,726 pubs and restaurants, and over 50,000 UK and German employees. The Company maintains excellent relations with the Odyzean Group, whose investment objectives are fully aligned with those of the Group. The Odyzean Group maintains a dialogue with the Board via their representatives on the Board nominated by Piedmont and Elpida, all of whom are careful to ensure that there is no conflict between their roles as representatives of the Company's shareholders and their duty to the Company.

The Odyzean Group has representatives on the Board, nominated by Piedmont and Elpida respectively. 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 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.

Under a Deed of Appointment between Piedmont and the Company, Piedmont 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 owns less than 16% of the Company any such shareholder Directors would be required to resign immediately. This Deed of Appointment also entitles Piedmont to appoint one Director to sit on the Nomination Committee and to have a Director attend, and receive all the papers relating to, meetings of the Remuneration Committee.

The Board confirms that the Company is able to carry on the business it carries on as its main activity independently from Odyzean.

There is a requirement to disclose the parent and ultimate controlling party of the Company where this is different. There is no parent or ultimate controlling party as such of Mitchells & Butlers plc. However, as disclosed in the table of 'Interests in voting rights', and the section headed 'Major shareholder Board representation and relationship agreement', both on this page, Odyzean, as the indirect holder of the separate shareholdings of Piedmont, Elpida and Smoothfield has disclosed its interest in 56.66% of the shares in the Company. Odyzean, however, does not directly hold any shares in the Company on its own behalf.

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 period, and is currently in force. The Company also purchased and maintained throughout the period Directors' and Officers' liability insurance in respect of itself and its Directors and the directors of any subsidiary of the Company. 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.

The related party transactions in FY 2024 to which the Group was party are set out in note 5.2 to the financial statements.

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 in Table 2 below.

Table 2: Provisions which apply in the event of a takeover or reconstruction

Share plan	Provision in the event of a takeover
2013 Short Term Deferred Incentive Plan and 2023 Short Term Deferred Incentive Plan	Bonus shares may be released or exchanged for shares in the new controlling company
2013 Sharesave Plan and 2023 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
Restricted Share Plan	Awards either vest having regard to achievement of applicable underpin conditions and, at the discretion of the Board, time pro-rating or are exchanged for an equivalent award in the new controlling company
Performance Share Plan	Awards either vest having regard to achievement of applicable performance conditions and, at the discretion of the Board, time pro-rating or are exchanged for an equivalent award in the new controlling company

Shareholders approved the Company's existing Directors' remuneration policy at the AGM in 2024 for a period of three years from the date of that meeting. That vote, which is binding on the Company, remains in force until 2027, and thus a new Directors' remuneration policy will require approval at the 2027 AGM. Further details are set out in the Report on Directors' remuneration.

The Company was authorised by shareholders at its AGM in 2024 to purchase its own shares up to a maximum of 29,886,342 ordinary shares, representing approximately 5% of its issued ordinary share capital. The Company has not used this authority during FY 2024. The Company intends to renew this authority at the 2025 AGM.

Additional disclosures

Other information that is relevant to the Directors' report, and which is incorporated by reference into this report, can be located as follows:

	Page(s)
Future developments of the business	18 to 58
Research and development	26 to 29
Financial instruments and financial risk management	156 and 158
Greenhouse gas emissions	71 to 73
Corporate governance statement	75 to 87
Employee involvement	70
Employees with disabilities	69
Non-financial reporting	18 to 58
Stakeholder engagement	77
Section 172 statement	54

Disclosures required pursuant to the UK Listing Rules can be found on the following pages:

	Page(s)
Information required by UK Listing Rule 6.6.1R	
1. Long-term incentive schemes	92 to 112
2. Allotment of shares during the period	174
3. Significant contracts	67
4. Significant related party agreements	67
5. Relationship agreement	67
Information required by UK Listing Rule 6.6.6R	
6. Directors' interests	110
7. Significant shareholders (DTR 5)	67
8. Going concern statement	58
9. Shareholder buyback authorities	68
10. Statement of corporate governance	75 to 87
11. Details of Directors' service contracts	110
12. Climate-related financial disclosures consistent with TCFD	40 to 45
13. Board diversity	78

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' report. The Strategic Report can be found on pages 18 to 58 and includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy.

Employment policies

The Group employed an average of 50,455 people in FY 2024 (FY 2023 49,150). Through its diversity and equality 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. The Company takes harassment of any type very seriously and this year has introduced training for all employees that clearly outlines the Company's expectations, and what employees should do if they are subject to, or a witness of, harassment of any type. This training also explains the importance of diversity and inclusion in the workplace and supports our broader DEI agenda.

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 working environment where possible, in order to keep the employee with the Group. It is the policy of the Group that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement

Mitchells & Butlers engages with its employees on a regular basis and in a number of ways to suit their different working patterns and this is discussed further in the Report on Directors' remuneration on page 92. Engagement includes:

- line manager briefings;
- communications forums and roadshows held by functions or brands across the Company;
- a dedicated intranet for the Retail Support Team and Retail Management;
- 'Mable', the Mitchells & Butlers online learning platform;
- email news alerts;
- focus groups;
- weekly bulletins – specifically targeted at retail house managers and mobile workers; and
- employee social media groups.

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. In line with the requirements of the 2018 Code, the Board agreed that Dave Coplin will act as a link to the Board for employees in order to strengthen the 'employee voice' at the Board. This involves attending employee forums, focus groups and providing feedback on values and behaviours, employee development and upskilling and ensuring that feedback is listened to and acted upon where appropriate.

As part of this role, Dave Coplin uses the insight he has gained to provide the Board with an employee perspective across a range of issues, which the Board considers to be very valuable. Dave meets regularly with senior members of the Human Resources team and is also supporting the business in how it may utilise technology to better communicate with employees. In addition, as a member of the Remuneration Committee his insight is also very helpful in the context of Executive pay.

Updates on employee matters are normally presented to the Remuneration Committee or Board at least twice a year and cover a wide range of issues. Over the course of FY 2024 these updates have focused on employee engagement and specifically detailed feedback from the two engagement surveys held during the year, a review of bonus and incentive schemes below Executive Committee level, progress against our diversity and inclusion agenda and plans to roll out a new talent management system that will help to support the development of our people.

The Remuneration Committee is also informed where significant changes are proposed to employment conditions and policies elsewhere in the Group, or if there are important employee-related projects underway. More detail on how the Remuneration Committee takes into account wider workforce polices and the views of employees in relation to Executive pay can be found on page 102.

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in pubs, bars and restaurants and engagement surveys for all employees to the Mitchells & Butlers 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 communicated to employees.

The Mitchells & Butlers 'People Promise'

Our clearly defined people promise enables us to differentiate our employment proposition, and the diagram below illustrates in more detail the elements of our people promise. Clearly, pay is a very important element but other factors also play an important part of the overall value proposition, which is known internally as our 'People Promise'.

Our people value opportunities for progression, challenge within their role, fair rewards and a safe working environment. Our research has also shown that, in normal times, unlike some industries and employers, Mitchells & Butlers offers a number of important differentiators which our employees value:

- Flexibility and convenience: Mitchells & Butlers has always promoted a flexible approach to working from the frontline through to our support centre. The Covid-19 pandemic has further demonstrated how flexibility and convenience are ever more important factors for employees across all employee groups.
- More job satisfaction: As part of our research, we learnt that working for Mitchells & Butlers gave employees a strong sense of family and that employees put a high value on the day-to-day variety of work. This comes through very strongly in our survey results.
- A great atmosphere: Undoubtedly working in hospitality, especially at the frontline, is hard work. However, we also know that it can be great fun. Our aim at Mitchells & Butlers is to make the working environment as fun and friendly as possible whilst ensuring that guests receive great service.

It remains the case that employees have begun to reassess what is important to them and their work following the Covid-19 pandemic and now in response to cost of living pressures. In addition, other industries have been able to demonstrate how they now can offer careers that provide some elements of our proposition in a way not seen before, for example through very flexible working arrangements. It is therefore important to review and refresh our research so that our 'People Promise' evolves and remains relevant to current and prospective team members.

Share ownership

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 Sharesave Plan (both the 2013 and 2023 versions) and the Share Incentive Plan (which includes Partnership shares). Further details on the plans are set out in the Report on Directors' remuneration on pages 92 to 112.

The Company also operates three other plans on a selective basis, which are the Short Term Deferred Incentive Plan (both the 2013 and 2023 versions), the Restricted Share Plan and the Performance Share Plan.

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. A total of 2,500,000 shares were purchased by the employee benefit trust during FY 2024.

Responsible alcohol policy

Mitchells & Butlers operates the Challenge 21 policy in all our businesses across England and Wales, a Challenge 25 policy in our Scottish businesses and similar policies in Northern Ireland and Germany. The policy requires that any guest attempting to buy alcohol who appears under the age of 21 in England, Wales or Northern Ireland (or 25 in Scotland) must provide an acceptable form of proof of age ID to confirm that they are over 18 before they can be served. We employ similar policies across the various regions of Germany in order to comply with local laws.

All of these policies form part of our regular training for our employees on their responsibilities for serving alcohol.

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 2025 AGM to make limited donations or incur limited political expenditure, although it has no intention of using the authority.

Modern Slavery Act 2015

In accordance with the requirements of the Modern Slavery Act, a copy of the Company's Modern Slavery Act compliance statement, signed on behalf of the Board by Phil Urban, can be accessed on the Company's website, www.mbplc.com

This statement covers the Company's commitment to operating and conducting its business in such a way that human rights are respected and protected. Mitchells & Butlers will not permit or condone any form of slavery, servitude, forced or compulsory labour or human trafficking. It clearly states how the Company is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its businesses and this is reflected in the Mitchells & Butlers Modern Slavery & Human Trafficking Policy and Supplier Code of Conduct. The statement also covers due diligence processes for slavery and human trafficking, supply chain accountability, Company accountability (including ethical and socially responsible conduct in the workplace), training and information and reviewing key performance indicators to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business and supply chain, in terms of record keeping and actions taken to strengthen supply chain due diligence, auditing and verification.

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.

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

KPMG 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.

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 £200m of unsecured committed bank facilities (increased by £50m during the prior year). Further information regarding these arrangements is set out on page 58 and is also included in note 4.1 to the financial statements on page 154. 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, a four-weekly update on six-month forward-looking cash forecasts 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 cashflow requirements. Short-term cash management is optimised through regular discussions considering projected cash inflows and outflows.

During FY 2022, the Group completed the necessary amendments to transition its financing arrangements in advance of the discontinuation of LIBOR as a floating reference rate, replacing LIBOR with a SONIA-based rate in respect of sterling and a SOFR-based rate in respect of US dollars. The amendments in respect of the securitised bonds were agreed by the Bondholders through a formal consent solicitation process and bilateral agreements were reached with securitised swap and liquidity facility providers (using amended reference rates consistent with those agreed under the bonds). The unsecured committed facility was extended on a SONIA basis in July 2023.

Going Concern

After considering forecasts, sensitivities and mitigating actions available to management and having regard to risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. Accordingly, the financial statements have been prepared on the going concern basis. Full details are included in Section 1 of the notes to the financial statements.

Events after the balance sheet date

There are no post-balance sheet events to report.

Greenhouse gas ('GHG') emissions statement

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

Location-based GHG emissions per £m turnover have decreased by 8% in FY 2024 in comparison to FY 2023. Market-based GHG emissions per £m turnover have decreased by 11% for the same period. Absolute emissions for Scope 1 & 2 (location- and market- based) have decreased by 6%. This is due to the following key factors:

1. FY 2024 contains seven fewer days when compared to FY 2023;
2. Realisation of the benefit from the efficiency measures that we have rolled out as well as decreasing our fugitive (f-gas) emissions; and
3. An increase in revenue generated in FY 2024 compared to FY 2023.

We have also continued with our commitment to purchase a green, REGO-backed supply of electricity from renewable sources in FY 2024.

Table 3: Mitchells & Butlers' carbon reporting disclosure

Assessment parameters	
Assessment year	FY 2024
Consolidation approach	Financial control
Boundary summary	All bars and restaurants either owned or under operational control during FY 2024 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 as well as from company electric vehicles. **Scope 3** – indirect emissions from activities up and down the Group's value chain but occurring from sources not owned or controlled by the Group. This assessment focuses on Scope 1 & 2 emissions only (Scope 3 is optional under the current regulations).
Consistency with the financial statements	Scope 1 & 2 emissions are reported for both FY 2024 and FY 2023 on a financial year basis. 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 per outlet multiplied by the number of Alex sites. These sites make up the non-UK aspect of this report.
Exclusions	**Scope 1** – Wood, charcoal, and kerosene are excluded because each of these amounts to less than 1% of total emissions which falls below the materiality threshold.
Emission factor data source	All carbon emission factors used are sourced from the UK Government GHG conversion factors for company reporting 2024.
Assessment methodology	Environmental Reporting Guidelines: including Streamlined Energy and Carbon Reporting Guidelines March 2019.
Materiality threshold	All emission types estimated to contribute >1% of total emissions are included.
Estimation	**Scope 1** – Fugitive Emissions are partially estimated due to unknown gas types for some sites. **Scope 1 & 2 –** Electricity and gas consumption uses a pro-rata estimate for supplies that do not have complete data in the reporting year.
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 FY 2023 are provided for comparative purposes.

Energy efficiency action taken

During FY 2024 we continued our deployment of local renewable energy and low carbon technology sources including solar photovoltaic and air source heat pumps. We have continued to expand the roll out of the Internet of Things (IoT) solution, which involves installing remote sensors and controllers for lighting, catering, and heating/cooling systems. Expansion of these systems will continue throughout FY 2025 and beyond.

In addition to the technological solutions adopted we have also continued to improve our staff awareness and engagement in energy use and carbon emissions. We have a team of energy ambassadors who work across the business, who are trained to support General Managers to investigate and resolve issues resulting in energy exceedances and to identify opportunities for optimising energy use and reducing consumption.

Commentary

Both location- and market-based reporting methodologies are used. Scope 2 location-based emissions use UK grid average emissions. Scope 2 market-based emissions account for the electricity purchased within the UK portfolio from REGO-backed sources which result in zero emissions.

For transparency we have reported two intensity ratios; a location-based ratio and a market-based ratio for both Scope 1 & 2 emissions.

Global GHG emissions and energy use data for FY 2024

	Current reporting period FY 2024			Comparison reporting period FY 2023			
	UK and offshore	**Global (excluding UK and offshore)**	**Total**	UK and offshore	Global (excluding UK and offshore)	Total	% Change year-on-year
Scope 1 tCO_2e (location-based)	**82,311**	**2,219**	**84,530**	88,960	2,342	91,302	-7%
Scope 2 tCO_2e (location-based)	**64,927**	**1,780**	**66,707**	67,156	1,769	68,925	-3%
Total Scope 1 & 2 emissions tCO_2e (location-based)	**147,238**	**3,999**	**151,237**	156,116	4,111	160,227	-6%
Total Scope 1 & 2 emissions tCO_2e (market-based)	**83,980**	**4,000**	**87,980**	89,222	4,111	93,333	-6%
Energy Consumption used to calculate the above emissions: kWh	**716,909,464**	**19,454,275**	**736,363,739**	731,867,092	19,356,686	751,223,778	-2%
Intensity Ratio: tCO_2e/turnover (£m) – (location-based)[a]	**–**	**–**	**59**	–	–	64	-8%
Intensity Ratio: tCO_2e/turnover (£m) – (market-based)[a]	**–**	**–**	**33**	–	–	37	-11%

a. Intensity ratios based on the turnover for FY 2023 of £2,503m and for FY 2024 of £2,610m.

Disclosure of information to auditor

Having made the requisite enquiries, so far as the Directors are aware, specifically those who are a Director at the date of approval of the Annual Report, 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.

This report, which includes the Strategic Report, has been approved by the Board and is signed on its behalf.

Andrew Freeman
Group General Counsel and Company Secretary
26 November 2024

Statement of Directors' responsibilities in respect of the Annual Report and Accounts

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial period. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' report, Report on Directors' remuneration and Corporate Governance Statement that comply with that law and those regulations.

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

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Tim Jones
Chief Financial Officer
26 November 2024

Corporate governance statement

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

The Board is responsible for ensuring that the activities of the 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, compliance with the applicable UK Corporate Governance Code, which is issued by the Financial Reporting Council and which is available at www.frc.org.uk, and maintaining appropriate relations with shareholders and other stakeholders.

The latest financial information for Mitchells & Butlers and its Group of companies is included in the 2024 Annual Report and Accounts (of which this Corporate Governance Statement forms part) and which is available online at: www.mbplc.com/investors.

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 www.mbplc.com, together with general information about the Company so as to be available to all shareholders. The Company has a regular programme of dialogue 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 Chair, the Chief Executive and the Chief Financial Officer 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.

At the January 2024 Annual General Meeting, the Company had two resolutions where 20% or more of votes cast were cast against the resolution, namely in respect of the re-election of both Bob Ivell (Chair), and Josh Levy. These resulted in the Company featuring in the Investment Association's public register of shareholder dissent.

Our understanding was that the vote against Bob Ivell was the result of the composition of the Board, the perceived lack of diversity on the Board, and the fact that he had served on the Board for 12 years. The composition of the Board, including its gender balance, is dealt with by the Nomination Committee on a regular basis, and the importance of having diversity on the Board is acknowledged, including female representation. The Board Diversity Policy and progress against that policy are clearly explained in this Annual Report, including confirmation that any future appointments 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 and that all Board appointments will always be made on merit. As regards his tenure, the Board recognises his extensive industry experience which has been of great assistance to the Company in addressing, amongst other things, industry pressures.

Corporate governance statement continued

We understand that the votes against the re-election of Josh Levy were due to insufficient independence on the Board and apparent concerns about the presence of Mr Levy on the Remuneration Committee. Josh Levy is a shareholder representative of Piedmont Inc., which in turn is a member of the Odyzean Group which, as a substantial majority stakeholder in the business, wishes to have significant representation on the Board. The Company has explained the circumstances of Mr Levy's presence on the Board and his committee role in detail, both in this and previous Annual Reports.

In relation to the issues raised, and as in previous years, the Company's response to its inclusion in that register can be found in the register itself and on the Company's website www.mbplc.com. That open letter in reply to the Investment Association sets out the Company's position, which remains as set out in the published letter.

The UK Corporate Governance Code (the 'Code') 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 which reflect the specific circumstances of individual companies.

No changes to the Board were made during the year and the Board currently consists of nine members, three of whom are independent Non-Executive Directors (including two female independent Non-Executive Directors). A more detailed explanation is set out on page 78.

Corporate governance arrangements during FY 2024

In FY 2024 the Board maintained its regular set of scheduled meetings. The details of the number of meetings of the Board and the Audit and Remuneration Committees in the period are set out on page 60.

The Executive Committee, which is the principal operational decision-making forum of the Group, continued with its monthly cycle of meetings in FY 2024, and the output of its meetings was reported to the Board. The Executive Committee addressed in particular all stakeholder arrangements including the relationships and dialogue with employees, shareholders, supplier arrangements and the Group's pension arrangements.

Employee wellbeing arrangements and workplace implications

The Company has an established wellbeing strategy that encompasses five pillars of wellbeing: social, environmental, physical, mental and financial. Within these pillars there are a range of resources and tools available for line managers and employees to access, including:

- our employee assistance programme which is run by the Licensed Trade Charity. They operate a free, 24/7 confidential helpline and a website available to all employees;
- an online wellbeing centre that provides access to workout videos, nutritional advice, financial wellbeing tools and mindfulness and meditation videos and articles;
- financial wellbeing tools and support;
- mental health training available for all line managers, developed in conjunction with the Samaritans, to assist them in supporting their teams;
- wellbeing days and events, which are now often held virtually and this will enable all employees to participate in various activities and workshops; and
- menopause awareness training for employees and line managers.

Corporate governance code reporting

For FY 2024, the Company has reported under the 2018 Code. Its requirements include:

1. enhanced board engagement with the workforce and wider stakeholders, including describing how the Company complies with its obligations to take into account stakeholder views pursuant to Section 172 of the Companies Act 2006;
2. demonstration of a clear business strategy aligned with a healthy corporate company culture;
3. a high-quality and diverse board composition; and
4. proportionate executive remuneration that supports the long-term success of the business.

The Board established a Corporate Responsibility Committee in June 2019. The purpose of this Committee is to allow more executive, leadership and functional management involvement in key areas of significant importance including environmental impacts of the Group's activities, community relationships and the role of the Company in society. The existence of this Committee demonstrates a significant commitment to the enhancement of governance in general and matters such as stakeholder engagement. More details of this Committee and its membership are set out on page 83 and its Terms of Reference are on the Company's website www.mbplc.com.

Alignment to the 2018 Code

As part of its alignment with the 2018 Code, the following operational and administrative framework is in place.

1. Enhanced Board engagement with the workforce and wider stakeholders

The 2018 Code recommends that the Board should consider wider stakeholder views, in particular implementing arrangements for gathering the views of the workforce. The 2018 Code permits a designated Non-Executive Director to fill this role and in 2019 the Board designated Dave Coplin for this role. The purpose of this appointment under the 2018 Code is to gather employee views, ensure employee views are taken into account in Board discussions and decision-making, and engage with the workforce to explain how executive remuneration aligns with the Company's remuneration policy. This commenced in FY 2019 with Dave Coplin being introduced to those executive managers who could help ensure that meetings and site visits were effective. Progress has continued to date.

Mitchells & Butlers has an Employee Forum with elected representatives which normally meets with the Executive Directors and members of the Executive Committee twice a year. Dave Coplin also attends these meetings. During FY 2024 two meetings were held in March and September. Questions from the workforce in general are sought through the intranet to seek areas of concern or enquiry and to enable the Company to respond. The Employee Forum will, from time to time, be provided with an overview of how executive pay is aligned with the Company's strategic objectives. The Terms of Reference of the Employee Forum reflect this. Further details on employee engagement can be found in the Report on Directors' remuneration on page 92.

The results of regular Board roadshows are used to update managers on performance and the latest developments affecting the Group, and employee feedback is included in Board papers where appropriate as part of the decision-making process.

2. A clear business strategy aligned with a healthy corporate company culture

In July 2018 the Financial Reporting Council published 'Guidance on the Strategic Report', strengthening the link between the purpose of the Strategic Report and the Directors' duty under Section 172 of the Companies Act 2006, to promote the success of the Company. The requirement under the Companies Act 2006 is that the Strategic Report must inform members of the Company, and help them assess, how the Directors have performed their duty under Section 172 to promote the success of the Company. The revised guidance encourages companies to consider the broader matters that may impact upon the performance of the Company over the longer term including the interests of wider stakeholders, and it is now established Mitchells & Butlers practice that strategic proposals put to the Company's Board meetings include a requirement to consider the Directors' duties under Section 172. A detailed explanation of the manner in which the Board has discharged its responsibilities under Section 172 is set out in the Compliance Statements on pages 54 and 55.

The specific provisions of Section 172 require Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard to the interests of other stakeholders. The specific requirements of Section 172 are that Boards should consider:

- the likely consequences of decisions in the long term;
- the interests of the Company's employees;
- the fostering of business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The 2018 Code specifically requires that the Board should understand the views of the Company's key stakeholders (including employees, suppliers, customers and others) and keep stakeholder engagement mechanisms under review so they remain effective. The 2018 Code also recommends that there should be regular reporting as to how the Board has complied with this engagement approach in its decision-making processes and how the interests of different shareholders have been considered. The 2018 Code sets out a series of aspects to be taken into account in demonstrating the Board has complied with its Section 172 responsibilities. These are listed below, together with Company procedures which align Mitchells & Butlers' corporate behaviour with the spirit and values of the 2018 Code and how the Board has employed its oversight of the Company's purpose. This purpose is set out in more detail in the Strategic Report.

a. Culture

Mitchells & Butlers has in place a set of PRIDE values of Passion, Respect, Innovation, Drive and Engagement which underpin its key priorities of People, Practices, Profits and Guests. The Board observes these PRIDE values in discharging its everyday responsibilities and considering decisions and proposals and encourages all levels of the organisation to do so.

b. Strategy

In demonstrating that the Board is promoting the success of the Company and taking decisions with regard to their long-term impact, the Board must ensure it has in place, and regularly reviews, its agreed strategy.

Developments arising from the strategy review are followed up, documented and, on a regular basis, the Board reviews whether the Company is operating in line with that strategy and/or there needs to be a revision of the strategy to reflect external, and possibly internal, changes in the dynamics of the business. Board papers refer to whether they reflect a proposal that is aligned to, or diverges from, the agreed strategy.

Principle B and Provisions 1 and 2 of the 2018 Code require the Board to:

- describe how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy;
- establish the Company's purpose, values and strategy, ensure that these and its culture are aligned and describe the activities the Board takes to monitor and implement this culture; and
- describe the Company's approach to investing in and rewarding its workforce.

Details of how the Board achieves these are given in the Strategic Report on pages 18 to 58.

c. Training and awareness

There is an induction process for all Directors on appointment and the Group General Counsel and Company Secretary is available to all Directors, whether of the Company or any of the subsidiaries, for consultation and guidance on matters of governance in relation to any aspects of the affairs of any part of the Group. As circumstances or new areas develop, whether in the operations of the business or externally, appropriate training will be considered to ensure that each Director is involved in decision-making and oversight with the benefit of the correct amount of knowledge as to what is relevant for consideration.

The induction process ensures that Directors are aware of, and understand, the requirements under Section 172. Nevertheless, all subsidiary Directors have received a comprehensive guide to provide training below Board level in relation to Section 172 requirements, focusing on how such considerations should be documented in the future, to ensure a proper understanding of what needs to be considered and what evidence is required to be presented when putting proposals to the Board.

Ongoing training and guidance on their responsibilities continues to be provided to subsidiary company Directors.

d. Information

Board paper procedures now contain specific references to the factors referred to in Section 172 of the Companies Act 2006, so they can be brought to the Board's attention where appropriate.

e. Policies and processes

The business has an existing comprehensive suite of policies and processes across a wide spectrum of its operations and practices and these are updated, revised and re-communicated regularly.

f. Stakeholder engagement

Engagement with the workforce is addressed above and engagement with guests is dealt with through the Guest Health initiatives and this is explained in our Value Creation story on pages 30 to 33. Engagement with key, critical suppliers is addressed through the supplier segmentation tiering process where we consult with suppliers on a regular basis. This varies from monthly interaction to annual reviews, depending on where the supplier appears on the Company's tier 1 to tier 4 ranking (which is a multi-factor process involving criticality, volume, spend size and availability of substitute products).

Corporate governance statement continued

3. Board composition and diversity

a. Board composition

The Board is currently comprised of nine members whose biographies are outlined on pages 64 and 65. These are the Chair, Chief Executive and Chief Financial Officer, three independent Non-Executive Directors and three Non-Executive Directors. Two independent Non-Executive Directors, representing 22% of the Board's Directors, are female, one of whom (Jane Moriarty) is also the Senior Independent Director. The Chair, Bob Ivell, has served on the Board since May 2011. None of the Directors are from a minority ethnic background (as defined in the UK Listing Rules).

The shareholder representative Non-Executive Directors are nominated by Piedmont and Elpida, who, together with Smoothfield, are subsidiaries of Odyzean, the Company's largest shareholder, which holds approximately 57% of the Company's issued share capital. Further information relating to the Odyzean Group and the specific nomination rights held by Piedmont and Elpida is set out on page 67.

The Board acknowledges that the Chair's period of tenure on the Board does not meet the best practice recommendations of the UK Corporate Governance Code and the level of Board diversity does not meet the targets set out in the UK Listing Rules and, whilst this overall composition of the Board remains a matter for continuous review, it should be noted that in the prospectus published by the Company on 22 February 2021 in connection with the Open Offer, the Company confirmed that the Odyzean Group had indicated that it: (a) would disregard specific corporate governance requirements around tenure; (b) intended to review the composition of the Board, which may result in less focus on compliance with UK Corporate Governance Code recommendations in the future; and (c) the time and cost devoted by the senior management team to public company matters should be reduced. The Company has received no indication of a change in approach on these issues from the Odyzean Group.

The composition of the Board and executive management is set out in the following tables as required by UKLR 22.2.30R(2). The underlying information was collected directly from the relevant individuals. Executive management is classed as the Executive Committee, which includes two Board members.

Gender identity and sex

Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	78	3	7	70
Women	22	1	3	30

Ethnic background

Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	100	4	10	100
Mixed/multiple ethnic groups	–	–	–	–
Asian/Asian British	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–
Other ethnic group	–	–	–	–
Not specified/prefer not to say	–	–	–	–

b. Board diversity

Principle J of the 2018 Code states that boards are encouraged to 'promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths' through their appointments and succession planning. The purpose is to ensure that there is a balance of views from different genders and other experiences and skill sets around the board table so that decision-making can be made with good oversight of all relevant factors.

Dave Coplin has been identified by the Board as the Director responsible for oversight of the Company's diversity and inclusion arrangements. The Company has had a Board Diversity Policy in place for some time, but during FY 2019 it was also agreed that talent pipeline presentations to the Board should include the extent to which diversity aspects have been taken into account in development plans/recruitment, and that ethnicity and disability reporting should be addressed, to the extent that the Company has reliable data. Talent pipeline presentations were put on hold during Covid-19 restrictions, but resumed in FY 2021 and continued in FY 2022, FY 2023 and FY 2024.

Gender Pay Gap data is already overseen by the Remuneration Committee and details are set out on page 108 of the Report on Directors' remuneration.

4. Proportionate executive remuneration

This is dealt with on page 108 of the Report on Directors' remuneration.

Corporate governance

The Board is committed to high standards of corporate governance. The Board considers that the Company has complied throughout the year ended 28 September 2024 with all the Provisions and best practice guidance of the 2018 Code except certain specific aspects related to Chair's tenure, Board composition, the constitution of a Board Committee, effectiveness reviews and executive pension contributions. This Corporate Governance Statement addresses the areas where, for reasons specific to Mitchells & Butlers, there are divergences from the 2018 Code as described below.

The Audit Committee report and Nomination Committee report, which are set out on pages 88 to 91 and page 83 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 2018 Code. There are, however, a small number of areas where, for reasons specifically related to the Company, the detailed Provisions of the 2018 Code were not fully complied with in FY 2024. These areas are kept under regular review. A fundamental aspect of the 2018 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 2018 Code specifically recognises the concept of 'comply or explain' in relation to divergences from it.

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 2018 Code throughout the financial period 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

The current Board consists of the two Executive Directors and the Chair, the three Independent Non-Executive Directors and three representative directors of the Odyzean Group which holds approximately 57% of the issued share capital. The Board does not currently intend to change this arrangement and believes that, despite not strictly complying with the 2018 Code, the current structure strengthens corporate governance as it is both representative of the Company's shareholder base and demonstrates the Odyzean Group's ongoing commitment and support to the overall strategy and management of the Company.

The assessment of the composition of the Board and its Committees and the Chair's tenure should be considered in the context of the explanation already set out under the heading of 'Board composition and diversity' on page 78.

During the year, there were five separate areas of divergence from full compliance with the 2018 Code, as set out below by reference to specific paragraphs in the 2018 Code.

1. Chair's tenure (Provision 19)

Provision 19 of the 2018 Code states:

"The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided."

Bob Ivell was appointed to the Board in May 2011 and, as such, his appointment extended beyond the normal nine year tenure, which expired in May 2020. The Board had already reviewed this in advance in 2019 and concluded that it was appropriate that he should remain in place as Chair.

Mr Ivell's extensive industry experience and his involvement with such influential bodies as UK Hospitality, have been of great assistance to the Company in addressing the ongoing challenges of energy prices, inflationary cost pressures, the demanding trading environment and dampened consumer confidence. The requirement for a stable and experienced Board in such circumstances, and it being an inappropriate time for the Board to be considering changes in the existing arrangements, meant that no further consideration was given in FY 2024 to Provision 19 of the 2018 Code, in relation to Bob Ivell's Chair tenure. This will remain the case while the Company continues to deal with the rebuilding of its business.

2. Composition of the Board (Provision 11)

Throughout the year, Provision 11 of the 2018 Code, which requires that at least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent, was not complied with. Accordingly, this had consequential implications on the composition of the Remuneration Committee.

The Board does not comply fully with the requirement for at least half of its members to be independent, due to the presence of three shareholder representatives on the Board, representing members of the Odyzean Group. These shareholders maintain a dialogue via their representatives on the Board, all of whom are careful to ensure that there is no conflict between that role and their duty to the Board and other shareholders.

The members of the Odyzean Group made extremely significant investments in the Company and currently hold approximately 57% of the Company's issued share capital. The Board considers their investment objectives to be fully aligned with those of the Group and of other shareholders. The Board maintains excellent relations with its major shareholders and considers their commitment to be a significant factor in the ongoing stability of the Board, particularly as a result of their strong support of the Board's long-term strategy, including the recent Ignite initiatives. Their continued investment and presence on the Board adds value as the Group works towards common goals, and in pursuit of the Company's published strategy. In particular, the members of the Odyzean Group have been very supportive of the Board's actions when the Company had to deal with the forced closure of the business during the Covid-19 pandemic, followed by the need for an Open Offer in FY 2021, which they subscribed for in full. Their respective representatives continued to offer valuable advice and experience while the Board considered options in the face of such unprecedented circumstances.

The Board intends to continue to work closely with the representatives of its major shareholders to further the interests of the Company. The Company is not aware of any changes being proposed to the shareholder representative profile of the Board in the immediate future.

Corporate governance statement continued

3. Constitution of Committees

Throughout FY 2024, the Company had (and continues to have) fully functioning Nomination, Audit and Remuneration Committees as required by the 2018 Code.

Remuneration Committee (Code Provision 32)

The Remuneration Committee is not fully compliant with the relevant Provisions of the 2018 Code. Provision 32 of the 2018 Code specifies that the Remuneration Committee should consist of independent Non-Executive Directors and the Remuneration Committee included the presence of a representative of a major shareholder who is a member of the Odyzean Group. As set out on page 67, under the terms of the Deed of Appointment between the Company and Piedmont, Piedmont is entitled to have a Director attend, and receive all the papers relating to, meetings of the Remuneration Committee. The Board has, in the circumstances, agreed that Mr Levy should be a member of the Committee. The Board has carefully considered the implications of this arrangement and has concluded that it constitutes a valid exception under the 'comply or explain' regime of the 2018 Code, in that the shareholder concerned is committed to the progression and growth of the Company, has made a substantial financial commitment and is fully supportive of the Group's strategy. All the shareholder representatives have significant commercial and financial experience and make a substantial contribution to the Committees and the Group remains fully committed to working with them on matters affecting the Group and its activities in the future.

4. Effectiveness Reviews (Provision 21)

As reported on page 63, the Chair has kept the skills, contributions and experience of the Board members under close review throughout FY 2024.

Provision 21 requires that there should be a formal and rigorous annual evaluation of the performance of the Board, its committees, the Chair and individual Directors; that the Chair should consider having a regular externally facilitated board evaluation; that in FTSE 350 companies this should happen at least every three years; and that the external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors. None of these evaluations took place in FY 2024 and the Board will consider if it is appropriate to carry out any such evaluations, in FY 2025.

The information required by Disclosure Guidance and Transparency Rule ('DTR') 7.1 is set out in the Audit Committee report on pages 88 to 91. The information required by DTR 7.2 is set out in this Corporate Governance Statement, other than that required under DTR 7.2.6 which is set out in the Directors' report on pages 66 to 73.

5. Executive pension contributions (Code provision 38)

During part of FY 2024, the Company was not fully compliant with Provision 38 of the 2018 Code which sets out that pension contribution rates for executive directors should be aligned with those available to the wider workforce. In 2020 the Company put in place a phased strategy to address this non-compliance, pursuant to which any increase in the base pay of Executive Directors would be entirely offset by an equivalent reduction in their cash equivalent pension contributions until such pension contributions were aligned with the wider workforce. Full compliance with Provision 38 was achieved during FY 2024, at which time the pension allowance paid to all Executive Directors reduced to 4%, in line with the wider workforce. This is consistent with the approach the Company previously communicated in its remuneration policy. This will no longer be an area of non-compliance in FY 2025.

Board composition

The Board started the year with nine Directors and the table on page 81 lists the composition of the Board during the year. There were no changes to the Board during FY 2024. No further significant changes to the leadership and oversight of the Group by its Board and its Committees are currently being considered.

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 oversight, supervision 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 2024 there were eight Board meetings. There were also four meetings of the Audit Committee, four meetings of the Remuneration Committee and the Nomination Committee did not meet. The table in the Governance at a Glance section on page 60 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.

Full attendance was recorded for all Directors in respect of all Board and Committee meetings held during FY 2024, but where Directors are unable to attend a meeting (whether of the Board or one of its Committees), they are provided with all the papers and information relating to that meeting and are able to discuss issues arising directly with the Chair of the Board or Chair of the relevant Committee. There are eight Board meetings currently planned for FY 2025.

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 Chair, 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 2018 Code and the Companies Act 2006 as well as other relevant legislation.

The appointment and removal of the Company Secretary is a matter reserved for the Board.

Directors

The following were Directors of the Company during the year ended 28 September 2024:

Directors who served during the year		Date appointed	Date of change of role
Bob Ivell	Independent Non-Executive Director[a]	09/05/11	14/07/11
	Interim Chair[a]	14/07/11	26/10/11
	Executive Chair	26/10/11	12/11/12
	Non-Executive Chair	12/11/12	–
Amanda Brown	Independent Non-Executive Director	04/07/22	–
Keith Browne[b]	Non-Executive Director	22/09/16	–
Dave Coplin	Independent Non-Executive Director	29/02/16	–
Eddie Irwin[b]	Non-Executive Director	21/03/12	–
Tim Jones	Chief Financial Officer	18/10/10	–
Josh Levy[c]	Non-Executive Director	13/11/15	–
Jane Moriarty	Independent Non-Executive Director	27/02/19	25/01/22
	Senior Independent Director	25/01/22	–
Phil Urban	Chief Executive	27/09/15	–

a. Independent while in the role specified.
b. Nominated shareholder representative of Elpida.
c. Nominated shareholder representative of Piedmont.

At the start of the year, the Board was made up of seven male and two female Directors and there were no changes during the year, meaning that at the year end, the Board consisted of seven male and two female Directors.

The Executive Directors have service contracts. The Chair 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.

At the Company's forthcoming Annual General Meeting in 2025 all the Directors will be required to stand for annual re-election, in accordance with the Company's Articles of Association. Their biographical details as at 26 November 2024 are set out on pages 64 and 65, including their main commitments outside the Company. In addition, Provision 18 of the 2018 Code requires that the papers accompanying the resolutions to elect or re-elect directors, set out the specific reasons why the individual director's contribution is, and continues to be, important to the Company's long-term sustainable success and this information is included in the Notice of Meeting.

Provision 15 of the 2018 Code states that full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointments. The Mitchells & Butlers policy is that 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. During FY 2024, neither of the Executive Directors held any such external directorship, nor did they hold any other significant appointments, as a director or otherwise, and that remains the case as at the date of this Annual Report.

Division of responsibilities between Chair and Chief Executive

In accordance with Provision 9 of the 2018 Code, the roles of Chair and Chief Executive should not be exercised by the same individual.

The division of responsibilities between the Chair and the Chief Executive is clearly established as required by Principle G of the 2018 Code and these are set out in writing and have been agreed by the Board. In particular, it has been agreed in writing that the Chair 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, Corporate Responsibility 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 84) and attends the Nomination, Remuneration and Audit Committees 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.

The segregation of responsibilities between the Chair and the Chief Executive is set out in the Company's Corporate Governance Compliance Statement, which is available on our website, www.mbplc.com.

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

Corporate governance statement continued

Chair
Provision 9 of the 2018 Code provides that the Chair should, on appointment, meet the independence criteria set out in Provision 10 of the 2018 Code. Bob Ivell met these independence criteria on appointment.

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

The Chair ensures that appropriate communication is maintained with shareholders. He ensures that all Directors are fully informed of matters relevant to their roles. An explanation of the Board's view on the Chair's tenure is set out on page 79.

With effect from 1 January 2025, the Chair's fee will remain unchanged.

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
Jane Moriarty was appointed Senior Independent Director on 25 January 2022.

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

All Directors have the ability to raise any relevant views which they have with the Senior Independent Director if they feel this is needed.

Non-Executive Directors
The Company has experienced Non-Executive Directors on its Board.

Josh Levy was appointed to the Board as a representative of one of the Company's largest shareholders, Piedmont, a member of the Odyzean Group, and was therefore not regarded as independent in accordance with the 2018 Code.

Eddie Irwin and Keith Browne were appointed to the Board as representatives of another of the Company's largest shareholders, Elpida, which is also a member of the Odyzean Group, and were therefore not regarded as independent in accordance with the 2018 Code.

There are currently three independent Non-Executive Directors on the Board: Dave Coplin, Jane Moriarty and Amanda Brown.

Other than their fees, and reimbursement of taxable expenses which are disclosed on page 109, the Non-Executive Directors received no remuneration from the Company during the year.

There will be no increase in the fees of the Non-Executive Directors in January 2025. This applies to the base fee, the fee paid to Non-Executive Directors for chairing a Committee, the role of Senior Independent Director, and the fee paid to Dave Coplin for his role as the Board representative for 'employee voice'.

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.

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 Group General Counsel and Company Secretary, 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 Group General Counsel and Company Secretary.

Committees
The Audit, Remuneration, Nomination and Corporate Responsibility Committees have written terms of reference approved by the Board, which are available on the Company's website www.mbplc.com. 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 88 to 91 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 92 to 112.

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. In compliance with the disclosure requirements of Provision 23 of the 2018 Code, there is an ongoing process of review of the make-up of the Board and for Board succession, which is carried out by the Nomination Committee and led by the Chair. The Nomination Committee engages external search agencies when required and ensures that all candidates are identified and assessed against pre-determined criteria. Gender balance is dealt with by the Nomination Committee on a regular basis and includes assessment of gender balance at senior management level.

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

	Appointment date	Member at 28/09/24
Bob Ivell (Chair)	11/07/13	Yes
Amanda Brown	04/07/22	Yes
Dave Coplin	29/02/16	Yes
Eddie Irwin	11/07/13	Yes
Jane Moriarty	27/02/19	Yes

In accordance with the disclosure requirement in Provision 23 of the 2018 Code, as at the date of this report, the gender balance for those in the senior management team and their direct reports was split as to 44% female and 56% male. For this purpose, the senior management team comprises the Executive Committee.

The gender balance of the Executive Committee (which includes two Board members) is 70% male and 30% female. Further information on the Executive Committee is given on page 84.

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. There were no meetings of the Nomination Committee in FY 2024. When appointments are made, its members are consulted about and support the approach to diversity across the Board.

Diversity and Inclusion Steering Group and Board Diversity Policy
The Company has a Diversity and Inclusion Steering Group which examines the implementation of diversity within the Group. As referred to on page 78, Dave Coplin has been identified by the Board as the Director with responsibility for oversight of the Company's Diversity and Inclusion arrangements.

The Board has approved a Board Diversity Policy, which was reviewed and approved in October 2022. 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 continue to review what steps and recruitment processes are appropriate 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 2018 Code. 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, at the start and end of FY 2024 there were nine Board Directors, of which two were female (22%). 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. The assessment of the composition of the Board and its Committees and the Chair's tenure should be considered in the context of the explanation already set out under the heading of 'Board composition and diversity' on page 78.

The Company has an Equality, Diversity & Inclusion Policy (last updated in September 2024), which applies in relation to employees of the Mitchells & Butlers Group, and which can be found in the Value Creation story on page 31. The aim of the policy is to promote equal opportunities in employment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race (including colour, nationality, ethnic or national origin), religion or belief, sex, or sexual orientation.

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/business-conduct/board-committees/

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, the Market Disclosure Committee, which comprises the Chair, the Chief Executive, the Chief Financial Officer and an independent Non-Executive Director.

Corporate Responsibility Committee
A Corporate Responsibility Committee was established in June 2019 and its purpose is to allow more executive, leadership and functional management involvement in matters of corporate responsibility and sustainability. Its Terms of Reference are on the Company's website www.mbplc.com.

The Corporate Responsibility Committee comprises Bob Ivell (Chair), Eddie Irwin, Jane Moriarty, Dave Coplin and Amanda Brown. The Chief Executive, Phil Urban, is invited to attend regularly.

A multi-disciplinary operational and functional steering committee has been identified and tasked with carrying out first level oversight of the work plan and roadmap approved by the Committee in FY 2021.

Corporate governance statement continued

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 regular 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, Jane Moriarty, Amanda Brown and Gary John.

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), Tim Jones, Phil Urban, Keith Browne and Josh Levy.

Throughout FY 2024 the work of the Pensions Committee focused on preparations for the buyout and wind up of the Executive Plan, which is due to complete in late 2024. The Committee also monitored the performance of the Mitchells & Butlers Pension Plan which moved to a full buy-in with Standard Life during FY 2023. The current position on both plans has substantially eliminated all remaining pensions risk in the Group and pension deficit contributions in respect of both plans have now ceased.

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), Andrew Freeman (Group General Counsel and Company Secretary), Chris Hopkins (Commercial and Marketing Director) and David Briggs, Susan Chappell, David Gallacher and Anna-Marie Mason (the Divisional Directors). Gary John has made the decision to retire in early 2025 and Nick Pinney will take on the role of Group Property Director as of 17 February 2025.

The Executive Committee ordinarily meets, on average, 12 times per year 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 workforce planning and succession plans.

A note of the actions agreed by, and the principal decisions of, the Executive Committee, is supplied to the Board for information in order that Board members can keep abreast of operational developments.

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 administrative matters, the principles of which have been agreed previously by the Board or an appropriate Committee.

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 comprises the Chief Executive, the Chief Financial Officer, the Group Property Director, and the Group General Counsel and Company Secretary. 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.

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 Chief Financial Officer 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 Finance 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.

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 re-communicated to all employees in FY 2024 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 of its meetings.

Principle E and Provision 6 of the 2018 Code require the Board to be clear how its approach to whistleblowing has changed from an Audit Committee-led approach to a Board-led approach. Although the Audit Committee continues to receive regular reports on whistleblowing activity, each set of full Board papers also includes, as part of the report from the Group Risk Director, the number and assessment of any whistleblowing reports received and, where relevant, the actions taken in respect of reports which are, on investigation, found to be credible.

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.

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, which includes climate change reporting, which is dealt with in the next section.

Climate change reporting
1. Reporting
Current mandatory reporting and disclosure requirements
The Task Force on Climate-related Financial Disclosures ('TCFD') was established by the Financial Stability Board in 2015 and published its final report in June 2017. The report sets out 11 recommended disclosures under four pillars to promote better disclosure and these are set out below:

TCFD: four recommendations and eleven recommended disclosures

Recommendations			
Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities ('CRO').	Disclose the actual and potential impacts of CRO on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant CRO where such information is material.
Recommended Disclosures			
(a) Describe the Board's oversight of CRO.	(a) Describe the CRO the organisation has identified over the short, medium and long term.	(a) Describe the organisation's processes for identifying and assessing climate-related risks.	(a) Disclose the metrics used by the organisation to assess CRO in line with its strategy and risk management process.
(b) Describe management's role in assessing and managing CRO.	(b) Describe the impact of CRO on the organisation's businesses, strategy and financial planning.	(b) Describe the organisation's processes for managing climate-related risks.	(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions and the related risks.
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	(c) Describe the targets used by the organisation to manage CRO and performance against targets.

For FY 2024 the Company has continued to monitor climate-related risks and opportunities, in relation to TCFD and to oversee the delivery of strategy to manage and measure the identified risks and opportunities as described in the FY 2023 disclosure. The results of this are set out on pages 40 to 45 of the Strategic Report.

Corporate governance statement continued

UK Listing Rules

Climate-related disclosure UK Listing Rule 6.6.6R(8) is a continuing obligation for listed commercial companies in annual reports for periods commencing on or after 1 January 2021 and thereafter, and requires companies to disclose:

- whether they have made disclosures consistent with the four recommendations and 11 recommended disclosures set out in section C of the TCFD Final Report in their annual financial report;
- where these disclosures can be found in the annual report; and
- a 'comply or explain' obligation to explain:
  - if they have not included disclosures consistent with all of the TCFD's recommendations and/or recommended disclosures, which disclosures they have not included and the reasons for not including them; and/or
  - why they have included some or all of the disclosures in a document other than their annual report.

Where not all required TCFD disclosures have been provided, in addition to explaining why, the annual report also needs to explain:

- the timeframe for compliance; and
- the steps the company is taking or plans to take to achieve compliance.

Institutional investor requirements

Institutional investors expect all listed companies to be reporting against all four TCFD pillars and want those disclosures to be meaningful and will be instructing their clients accordingly in relation to voting. They also expect companies to include a statement in their annual report that the directors have considered material climate-related matters when preparing and signing-off the company's accounts.

2. Actions taken by the Company

Executive ownership

The Board tasked Phil Urban with spearheading the Company's approach to tackling climate change reporting across the organisation since he also chairs the Executive Committee so can ensure focus at Executive Committee level.

Strategy

The Board is mindful of the business impacts relevant to the sector, and due consideration of such is included when considering changes made across the business in relation to climate change obligations. Going forward, this important issue will continue to form part of the considerations taken into account by the Board when it is evaluating strategic decision and investment priorities. Capital expenditure proposals submitted to the Board include appropriate details on such aspects.

Governance

Climate change issues are discussed at Board level and the Board has specifically requested the Corporate Responsibility Committee to focus on ESG/sustainability matters. The Company's required climate response/transformation is a feature of agendas, with priority being given to ensuring enough time is dedicated to the discussion. The Corporate Responsibility Committee approved, and recommended to the Board, the Group's sustainability roadmap through which it identified and agreed how to manage climate-related issues. These initiatives were first addressed in FY 2022 when TCFD compliance became compulsory for the Company and is ongoing.

Risk and scenario analysis

During FY 2022, the Company developed a rigorous climate change scenario impact analysis. In FY 2023 we reassessed all of the climate-related risks identified in the FY 2022 process, as well as an analysis of any emerging risks. The established risk assessment framework was used to assess the materiality of climate risks. Climate risk analysis is now part of the ongoing risk management process, with identified risks reviewed at risk committee meetings as well as the opportunity to present any emerging risks. No additional climate risks have been added to the register during FY 2024.

The Audit Committee is tasked with ensuring it is satisfied that the scenarios are sufficiently challenging, diverse and relevant, and also ensuring through this process and the Risk Committee that its risk monitoring activity appropriately addresses climate change risks for the Company. Further details are set out on pages 40 to 45 of the Strategic Report.

Information, reporting and assurance

The Board considers it good practice to assess whether climate-related management information is robust and fit for purpose. Pages 40 to 45 of the Strategic Report set out the extent to which the Group relies on external data, and the emissions table on page 73 of the Directors' report relies on external expertise, which is reviewed internally, and that is considered by the Board to be reliable and credible.

The Risk Committee considers the findings of reporting reviews such as the FRC's climate change thematic review and during the year we have enhanced our climate reporting by adding quantitative analysis to our climate-related financial risks. An independent review was conducted by our internal auditors of the policies and processes in place to support the analysis and monitoring of energy-related initiatives. There is currently no external assurance to which the Company's metrics are subjected, but this aspect is being actively considered by the Risk Committee.

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 carried out a robust assessment of the Company's emerging and principal risks. The Board has completed its assessment, and has presented a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated, on pages 46 to 52.

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 2018 Code for the period under review and to the date of approval of the Annual Report. Such procedures are in line with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and 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 regularly, is chaired by the Group General Counsel and Company Secretary and comprises Executive Committee members and other members of senior management from a cross-section of functions.

The primary responsibilities of the Risk Committee 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 regarded to be inadequate, recommend improvement actions.

The Group's risks identified by the processes that are managed by the Risk Committee, are described in the 'Risks and uncertainties' section on pages 46 to 52.

More details of the work of the Risk Committee are included in the Audit Committee report on pages 88 to 91.

- 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:

i. govern the maintenance of accounting records that, in reasonable detail, accurately and fairly reflect transactions;
ii. require reported information to be reviewed and reconciled, with monitoring by the Audit Committee and the Board; and
iii. 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. Please also refer to the Statement of Directors' responsibilities ivespect of the Annual Report and Accounts, on page 74.

In accordance with the 2018 Code, during the year the Audit Committee completed 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. To the extent that weaknesses in internal controls were identified, the Audit Committee reviewed the audit findings, together with the remedial action plans that were put in place, and sought confirmation that all actions were closed out in a timely manner. Through this process, material audit findings were presented to the Audit Committee, the necessary follow-up reviews were completed and the results were reported to the Audit Committee, to ensure appropriate mitigation plans had been actioned. Please refer to the Audit Committee report, on pages 88 to 91.

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 and the mitigation which insurance might provide.

Audit Committee report

"On behalf of the Board, I present the report of the Audit Committee for the financial period ended 28 September 2024."

Jane Moriarty
Chair of the Audit Committee

Introduction

During recent years, as the purpose and effectiveness of external and internal audit procedures has come under increasing public scrutiny, the Committee has ensured it has maintained an appropriate level of engagement with the Chief Financial Officer and the Group Risk Director, other key individuals and their teams who collectively provide an appreciation and rigorous insight into how the Group functions and reports. The Committee is very grateful for the insight these interactions provide and this, in turn, significantly assists the Committee in executing its oversight role and ensuring confidence in reporting to the wider Board.

Engagement with external auditors, internal auditors and other third-party advisers

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 advisers interact and test our comprehensive risk functions. The Committee's engagement during the auditing and advisory process enables it to convey confidence in their collective fieldwork conclusions.

The Committee also ensured that the Group provided adequate resources to ensure that any additional non-audit services required during the year were obtained, where necessary, and the Financial Reporting Council's ('FRC') evolving reporting requirements were adhered to.

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 financial and operational risks throughout the period (please also refer to the Group's risks and uncertainties, detailed on pages 46 to 52). The Committee continued to focus on challenging the effectiveness of internal controls, the robustness of assurance and risk management processes and in assessing the importance of, and acting as required upon, all reported information received from our external and internal auditors and third-party advisers.

The Committee remains committed to maintaining an open and constructive dialogue on relevant audit matters with all shareholders. Therefore, should you have any comments or questions on any aspects of this report, or indeed the wider financial statements, may I respectfully ask you to please email myself, care of Adrian Brannan, Group Risk Director, at company.secretariat@mbplc.com

Remit and membership of the Audit Committee

The main purpose of the Audit Committee is to review and maintain oversight of the Group's 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 and other third-party advisers.

At the date of the 2024 Annual Report, the Audit Committee comprised three independent Non-Executive Directors: Jane Moriarty (Chair of the Audit Committee), Amanda Brown and Dave Coplin. In accordance with 2018 Code Provision 24 the Board considers that Jane Moriarty 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 64 and 65.

The Audit Committee met at least quarterly during FY 2024. 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, the internal Group Assurance function and other third-party advisers.

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 Chair of the Company, the Chief Executive and the Chief Financial Officer, the Group General Counsel and Company Secretary, the Group Risk Director and representatives of the external auditor, KPMG LLP. The Audit Committee also has the opportunity to meet privately with the external auditor not less than twice a year, without any member of management present, in relation to audit matters.

The remuneration of the members of the Audit Committee is set out in the Report on Directors' remuneration on page 109.

Summary terms of reference

A copy of the Audit Committee's terms of reference is publicly available within the Investor section of the Group'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 Board in 2013. Those terms of reference specifically provide that they will be reviewed annually. They have been reviewed and updated as appropriate each year since and no changes were felt to be needed when they were reviewed in September 2024. Accordingly, in FY 2024 no material changes were made to the terms of reference of the Audit Committee, but the work of the Audit Committee will be kept under review with the expectation that any such matters which come to light are included in the next annual review.

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, any member of management and any employees, who 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 Group's expense, external 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 Board meeting following each Committee 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 Group's public statements on internal control, risk management and corporate governance compliance;
- review the Group's processes for detecting fraud, misconduct and control weaknesses and to consider the Group's response to any such occurrence;
- review management's evaluation of any change in internal controls over financial reporting;
- review with management, and the external auditor, Group financial statements required under UK legislation before submission to the Board;
- establish, review and maintain the role and effectiveness of the internal audit function, Group Assurance and the risk function, whose objective is to provide independent assurance over the Group's significant processes and controls, including those in respect of the Group's principal risks;
- assume direct responsibility for the appointment, compensation, resignation, dismissal and the overseeing of the external auditor, including review of the external audit, its cost and effectiveness;
- pre-approve non-audit work to be carried out by the external 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 employees which is consistent with the Group's overall statement of business ethics.

Audit Committee report continued

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 Group management, either after consideration of the Group's key 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 external auditor's full year report;
- the reappointment of the external auditor, KPMG LLP;
- any 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 2024, the level of achievement of that plan and the scope of the annual internal audit plan for FY 2025;
- periodic internal control and assurance reports from Group Assurance;
- the Group's risk management framework for the identification and control of key risks, its risk and assurance mitigation plan and the annual assessment of effectiveness of controls;
- review of the Corporate Viability Disclosure on page 53;
- compliance with the Group'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 2024.

Disclosure of significant and other judgements

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 consolidated financial statements on pages 127 to 179.

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

- **Going concern** – the headroom on the covenants across both the secured and unsecured estates and group liquidity, have been reviewed in detail by management and assessed by the Audit Committee. The Corporate Viability Disclosure is on page 53.
- **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. The revaluation methodology is determined by using management judgement, with advice taken from third-party valuation experts.
- **Impairment of short leasehold properties and right-of-use assets** – Short leasehold properties, right-of-use assets, allocated corporate assets and unlicensed land and buildings are held at cost less depreciation and impairment. Impairment includes management judgement to determine site level profit and cashflow forecasts, and the appropriate allocation of overhead costs to those cashflows. In addition, the value in use calculation includes estimations of the discount rate and long-term growth rate.
- **Separately disclosed items** – judgement is used to determine those items which should be separately disclosed to allow an understanding of the adjusted trading performance of the Group. Separately disclosed items are explained and analysed in note 2.2 of the financial statements on page 131. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.
- **Pension** – judgement is used to determine the value of pension surplus that has been recognised estimating the expected value of the surplus to the Company.

Effectiveness of internal audit

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

During each financial period, the Audit Committee completes its annual review of the effectiveness of the Group's system of internal controls and internal audit function, including financial, operational, compliance and risk management systems.

The annual internal audit plan is approved by the Audit Committee and is kept under review on a regular 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 internal audit plan on a quarterly basis. The FY 2024 internal audit plan was developed through a review of formal risk assessments, in conjunction with the Risk Committee and the 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 2025 internal audit plan. The principal objectives of the internal audit plan for FY 2024 were, and remain for FY 2025:

- 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; and
- to confirm that major projects and significant business change programmes are being adequately controlled.

Findings from all audit reports issued by the Group Assurance function are reviewed by the Audit Committee. Internal audit recommendations are closely monitored from implementation through to closure via a recommendation tracking system, which efficiently assists 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 every period to the Executive Committee and Board and quarterly to the Audit Committee.

Risk management framework

As disclosed in the 'Risk and uncertainties' section on pages 46 to 52 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:

- Group General Counsel and Company Secretary (Chair of the Risk Committee)
- Chief Financial Officer
- Commercial and Marketing Director
- Divisional Director (Operations)
- Group HR Director
- Director of Business Change & Technology
- Group Risk Director
- Head of Legal
- Head of Safety

Key risks identified are reviewed and assessed on a quarterly basis in terms of their likelihood and impact, and are measured on 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 2024, Risk Committee meetings continued to include a cross-functional, detailed review of the Group's key risks. This process 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 Group'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. The Board also receives a report on whistleblowing in the Group General Counsel and Company Secretary's regular report to Board meetings.

External auditor appointment

Following shareholder and Board approval, KPMG LLP was appointed as the auditor in 2022, following a formal tender process in 2020 to ensure the continued objectivity, independence and value for money of the statutory audit. KPMG LLP is therefore responsible for undertaking the FY 2024 audit.

The Audit Committee has considered the 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 Group has complied throughout FY 2024 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.

External auditor's independence

The external auditor 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 external auditor. That policy was reviewed in FY 2024 and a copy of it is appended to the Audit Committee's terms of reference and is available on the Group's website.

Pursuant to that policy, services that have been pre-approved by the Audit Committee (i.e. covenant reporting) do not exceed in any year more than 70% of the average audit fee paid to that audit firm over the past three years, unless prior approval has been obtained from the FRC.

The Audit Committee remains confident that the objectivity and independence of the external 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 Group and the audit firm agree that there would be no impact on the impartiality of the external audit firm.

Details of the remuneration paid to the external auditor, and the split between audit and non-audit services, are set out in note 2.3 of the financial statements on page 134.

External audit annual assessment

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

In the prior year, the FY 2022 audit of Mitchells & Butlers plc by KPMG was reviewed by the FRC's Audit Quality Review team ('AQR') as part of the FRC's annual inspection of audit firms. There were no 'key findings' reported in the inspection and one 'other finding' was reported in relation to historical data used in the valuation of the freehold estate. KPMG agreed a proposed action with the FRC in relation to this and have confirmed that this has been incorporated into planned procedures going forward. The Committee was pleased to note that the AQR identified an area of good practice in relation to the robust challenge of management's property valuation model.

Fair, balanced and understandable statement

One of the key governance requirements of the Annual Report and Accounts is for the report and accounts, taken as a whole, to be fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. 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 and Accounts, which is underpinned by the following:

- review of the formal review processes at all levels to ensure the Annual Report and Accounts are factually correct;
- clear guidance being issued to all contributors to ensure a consistent approach; and
- formal minutes of the Year End Working Group comprised of relevant internal functional representatives and appropriate external advisers.

Jane Moriarty
Chair of the Audit Committee
26 November 2024

Report on Directors' remuneration

"I am pleased to present the Directors' Remuneration Report in respect of the financial period which ended on 28 September 2024."

Amanda Brown
Chair of the Remuneration Committee

↑5.3%
Like-for-Like Sales Growth

1.7%
Average market outperformance over the year

4.51
Record guest review scores

85.3
Best ever employee engagement score

↑41%
(52 week basis) Adjusted Operating Profit[a]

Dear Shareholder,

I am pleased to present this year's Directors' Remuneration Report on behalf of the Remuneration Committee ('the Committee'). The report provides context and insight into our pay arrangements for Executive Directors and Non-Executive Directors, including the assessment of FY 2024 performance and pay. The report, together with this letter, will be put to an advisory vote at the 2025 AGM.

The Committee was delighted that our new remuneration policy was approved at the 2024 AGM with 95% of shareholders voting in favour of the policy. As noted in last year's report my aim as Committee Chair is to engage constructively with shareholders and the engagement with all stakeholders as part of the review process was very encouraging. The Committee was also pleased that the 2023 Report on Directors Remuneration received the support of 99% of our shareholders.

Background and business context

The hospitality industry continues to operate in an extremely challenging environment of cost inflation, a tight labour market and low consumer confidence. As a result, the sector has seen a number of venues close yet, despite these challenges, the industry has remained resilient and optimistic. In this context, Mitchells & Butlers' performance over FY 2024 has been exceptionally strong. Like-for-like sales[a] increased by 5.3% and outperformed the market consistently throughout the year. Costs have been well controlled and mitigation of significant cost pressures (such as employment costs) has been proactive via our Ignite initiatives. Margins have improved and Adjusted Operating Profit is ahead of expectations.

I am also very pleased that, as well as delivering excellent financial results, we have performed strongly across all stakeholder measures, clearly demonstrating the link between engaged employees, satisfied guests and improved sales and profitability. Our business scorecard includes non-financial measures that encompass Guest Health, Employee Engagement and Safety; all three of these areas delivering record high scores in 2024.

As well as our direct operating measures, the business has also made a positive impact on the environment and the community. Last year I made specific reference to the progress being made against our sustainability targets and it is encouraging that this good progress has continued. Overall our emissions have reduced by 14% from the 2019 baseline, 98% of our operational waste is diverted from landfill and our food waste has been reduced by 23% from the 2019 baseline. We are also very proud of our partnership with Social Bite, a homelessness charity, and in particular our involvement in their Jobs First Programme which helps to provide long-term job opportunities.

Looking ahead, we consider the business to be well positioned to outperform the sector, and our priorities are to continue to grow sales whilst seeking further opportunities to improve efficiency. Once again, key to this success will be our Ignite programme and work has already begun on a new round of initiatives. This combined with our capital plan, portfolio of brands and estate locations, gives the Board confidence in the prospects for the business in the coming year.

Further detail on the performance of the business over the year can be found in the Chief Executive's business review on pages 20 to 22.

Remuneration in FY 2024

Annual Bonus

Financial measures – Adjusted Operating Profit (outcome 70% out of 70%)

The financial targets for FY 2024 were set at a time when the outlook for the financial period once again remained highly uncertain with a wide range of macroeconomic factors continuing to impact the business. These included stubbornly high inflation, geo-political instability, most notably from the war in Ukraine, and an uncertain cost outlook particularly in relation to employment, food and energy costs.

The financial target set for FY 2024 at the start of the year was considered by the Committee to be challenging when taking into account all of the relevant factors at the time the targets were agreed. The main drivers of cost inflation were anticipated to be labour costs followed by drink, food and logistics. Energy costs were forecast to fall over the year, although this reduction was contingent on the outlook for energy pricing remaining favourable. An on-target performance would have required sales growth of at least 5% and for the net cost headwinds of c£65m to be offset through improved margins and efficiencies.

Actual sales across the period were £2,610m, an increase of 6.1%. On a like-for-like basis sales increased by 5.3%[a]. Our sales performance continued to outperform the market[b] consistently over the year.

Adjusted Operating Profit[a] across the period was £312m; an increase of 41% on the prior period on a 52-week basis, and near the top of the range of consensus forecasts which had already been increased through the year. This performance was significantly ahead of the budget set at the start of the year (£269m), and reflected not only the strong sales performance over the year, but also an improvement in margins which recovered at a faster pace than expected. This improvement in margins was driven in large part by our programme of Ignite initiatives, combined with well controlled costs across the business.

Non-financial measures – (outcome 30% out of 30%)

The non-financial measures encompass Guest Health, Employee Engagement and Safety, forming an important part of the annual incentive plan. Bonus can only be earned if 97.5% of the Adjusted Operating Profit target is achieved.

Guest Health performance is measured as a combination of online review scores and guest complaints. Over the period our online review scores have averaged 4.51, representing a best ever score for this measure. Very good progress has also been made on guest complaints, which are measured as a ratio of complaints received for every 1,000 meals served. Again, performance has been strong in this area building on progress made across FY 2023 with just 0.60 complaints for every 1,000 meals served. This combined performance has resulted in a maximum payment for the guest element.

Employee engagement is measured at two points during the year. In the summer employees are invited to complete a comprehensive survey, 'YourSay', and this is supplemented by a shorter pulse survey in February. This year around 70% of employees completed a survey and the overall score across the two surveys was 85.3, a record high for employee engagement, and an increase of almost three points on the prior year score, resulting in a maximum payment for this element.

A new measure of safety was introduced in FY 2024 that encompasses four areas of safety: Food Hygiene (as measured by the National Food Hygiene Rating System), Food Practices, Allergens and Fire Safety. The measure assesses the percentage of our businesses that have scored at least a 4 or 5 rating in each of the elements in a combined score. The target set at the start of the year was for an overall performance of 96.2% of all ratings to be at a 4 or 5. The year end performance was 97.3% resulting in an on target/maximum payment for this element.

Final Bonus Outcome

In determining the final bonus outcome, the Committee considered the wider performance of the Group across the financial period as part of its overall quality of earnings assessment. The outcome is reflective of a very strong performance, both relative to our expectations and to the sector as a whole and a faster than expected recovery of profits, driven by particularly strong sales growth in the first half of the year underpinned by improving margins.

The strong performance over the year has been achieved whilst also investing in pay and other benefits to support our employees, particularly at the frontline, which was especially important given the very real cost of living pressures that continued particularly in the first part of the year, when interest rates remained high and energy costs were yet to fall.

We are proud of the performance over the year, which was achieved through hard work and in a manner which is consistent with the experience of all stakeholders, including that of our employees and customers as evidenced above.

In taking all these factors into account, the Committee was satisfied that the overall formulaic outcome against our targets was consistent with our performance over the year and as such no discretion was exercised when determining the resultant annual bonuses. As a result of this review of performance, bonuses of 100% of base pay (100% of the maximum) were awarded to our CEO and CFO respectively.

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 186 to 189 of this Report.
b. As measured by the CGA Business Tracker.

Report on Directors' remuneration continued

The information below summarises the FY 2024 annual bonus performance for our Executive Directors.

	Maximum %	Threshold	Target	Maximum	Outcome Achieved %
Adjusted operating profit	70%	£255.5m	£269m	£277m **Actual:** £312m	70%
Guest health* Review Score Complaint Ratio	15%	0	1	2 **Actual:** 2	15%
Employee engagement	10%	81.5	82.5	83.5 **Actual:** 85.3	10%
Safety	5%	96.2%	96.2%	96.2% **Actual:** 97.3%	5%
Total	100%				100%

* Combines guest review scores and complaints see page 103 for more details.

FY 2022 RSP Vesting

During FY 2022, share awards were made to Phil Urban and Tim Jones under the Restricted Share Plan ('RSP') to the value of 100% of their respective salaries.

Vesting of the RSP was subject to the satisfactory assessment of performance against three qualitative underpins, discussed in further detail on page 105. The Committee is satisfied that these have been met and, as such, the 2022 RSP award will vest on 28 November 2024.

In addition, the Committee reviewed whether the Executive Directors might unduly benefit from a windfall gain on these awards, taking into consideration a number of factors including the strong underlying business performance, the current share price compared with the share price at the time of the grant (236p) and share price movements prior to the award and over the performance period. After careful consideration the Committee concluded that participants will not benefit from a windfall gain on the FY 2022 RSP awards and therefore has determined that no adjustment is required.

Remuneration for FY 2025

Fixed Pay (Base Pay, Pensions and Benefits)

In reviewing Executive Director salaries, the Committee took account of market positioning and the level of increases applied to Executive Directors in other organisations but most importantly felt that the increases applied to Executives should be below that of other colleagues and especially those in frontline positions.

Overall pay increases have been 8.9% over the year with hourly paid frontline employees who are typically the lowest paid employees in the group, seeing the largest increases.

With effect from 1 January 2025 Phil Urban's salary will increase to £625,725 (3%) and Tim Jones's to £523,250 (3%).

Executive Directors pension contributions remain aligned with that of the wider workforce at 4%.

There are no changes to the benefits available to Executive Directors.

Annual Bonus

The Committee believes that the annual bonus scheme for FY 2024 was successful in driving the right behaviours across the business, and as such has determined that the annual bonus scheme for FY 2025 will be unchanged. The maximum opportunity will remain at 100% of salary for our Executive Directors.

Performance Share Plan ('PSP') award FY 2025 to FY 2027

A PSP award is due to be made in respect of the FY 2025 to FY 2027 performance period. The new PSP was introduced last year and no changes are proposed to the opportunity level or the measures and weightings for Executive Directors.

Therefore, the overall opportunity for Executive Directors will remain at 200% of base salary and the measures and weightings (as a percentage of maximum) will apply as follows: Operating Cashflow (70%), Earnings Per Share ('EPS') growth (20%), and a sustainability measure based on reduction in Scope 1, 2 & 3 emissions (10%). Full details of the proposed performance measures and targets are set out on page 106.

In conclusion, FY 2024 has been a very strong year and the Committee is satisfied that the Remuneration Policy approved at the 2024 AGM is operating as intended and supports appropriate outcomes for the performance of the business over the year, whilst being cognisant of the wider economic context including appropriate governance considerations.

The remainder of the report sets out in more detail our overall approach to Executive Remuneration, and how this aligns to the strategy of the business and the interests of our stakeholders. I look forward to your continued engagement and feedback and hope you will join the Board in supporting our FY 2024 outcomes at the 2025 AGM.

Amanda Brown
Chair of the Remuneration Committee
26 November 2024

Remuneration at a glance

FY 2024 Performance

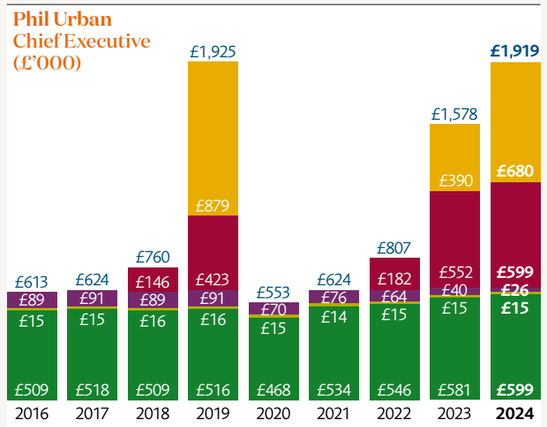
Remuneration key:

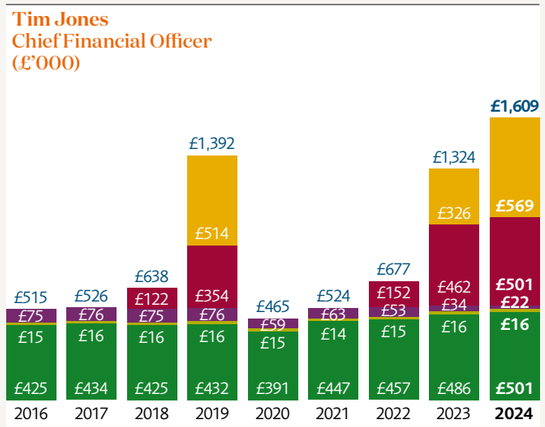
Base pay | Benefits | Pension | Annual bonus | Long-term incentives

The following 'Remuneration at a Glance' section provides a short summary that demonstrates that our overall approach to Executive Remuneration has been and continues to be measured, well balanced and appropriate.

Summary of Executive Directors' Total Remuneration

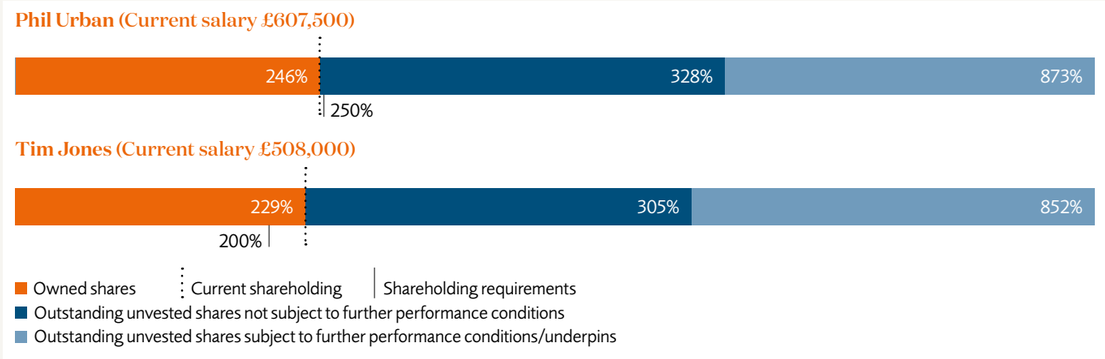
The charts below set out the CEO and CFO earnings history from 2016 onwards, the latter being the first full year Phil Urban was in place as CEO.





How Executive Directors are building towards shareholding requirement

The table below shows the current shareholding as a percentage of base pay, what the shareholding as a percentage of base pay would be once unvested shares not subject to further performance conditions are released (such as deferred bonus shares), and then the shareholding taking into account unvested shares that are subject to performance conditions. Shareholdings are calculated based on the average share price over the final three months of the financial period; for FY 2024 this was 299.7p (FY 2023 219.8p).



Appropriateness of remuneration decisions

The Committee continued to review the appropriateness of remuneration decisions, and in particular variable remuneration outcomes. In doing so, it considered overall business performance as well as the wider experience of our key stakeholders, namely our customers, colleagues, supplier partners and shareholders, and our wider communities. Balancing the needs of all our stakeholders continues to be at the heart of our purpose. In particular, the Committee considered the following factors throughout the year in determining remuneration decisions:

Key stakeholder	Factors considered by the Committee
Customers	• Year-on-year improvements in Guest Health Scores • Very strong safety scores and focus on allergens
Colleagues	• The number of eligible employees receiving a bonus payout in the year • Number of apprentices in learning • Investments in pay and benefits, including the introduction of a Wagestream to improve financial wellbeing • Health and wellbeing initiatives including mental health support in conjunction with the Samaritans • Establishing of employee network groups to support our diversity and inclusion agenda
Suppliers	• Close working relationships maintained during supply chain challenges • Accreditations e.g. Tier 3 Business Benchmark on Farm Animal Welfare rating
Shareholders	• Sales performance consistently ahead of the market • Strong profit growth and improved cashflow performance • Continued to pay down debt
Community	• Work with Social Bite • Strategic charity partnership with Shelter

Mitchells & Butlers' remuneration principles

When determining Executive Director remuneration policy, the Remuneration Committee addresses each of the factors under Provision 40 of the 2018 UK Corporate Governance Code and these are also reflected in our principles:

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

Competitive
Providing 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 proportion of an Executive Director's reward is linked to performance, with a clear line of sight between the outcomes of the business and the 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.

These same principles apply throughout the organisation and are adapted as appropriate for specific employee groups with a different emphasis on certain principles in comparison to Executive Directors. This is illustrated in the table on page 101 which sets out remuneration below Executive Director level.

For senior management, a much greater proportion of the overall reward package is performance-linked and therefore is variable and at risk, whereas for our hourly paid colleagues a greater weighting applies to the competitive and straightforward principles as these factors are more important to the attraction and retention of these employees.

Alignment of Executive pay to strategy

The table below sets out how the three strategic priorities of the business align to Executive remuneration:

	Strategic priority	Link to Executive remuneration	Annual Bonus	PSP
Building a more balanced business	Strong operating performance supports the delivery and sustainability of the capital plan and estate optimisation.	Adjusted Operating Profit delivery is the main component of the annual bonus plan. Operating Cashflow supports cumulative cash generation to enable debt repayment whilst EPS incentivises profit recovery.	✓	✓
	A more balanced business delivers brands and food and drink offers in an environment that guests want to enjoy.	The Guest Health element of the annual bonus plan provides a strong indicator of the success of each business. There is a clear correlation between strong Guest Health performance and sales performance.	✓	
	High-quality engaged teams are fundamental to the success of any business.	The engagement element of the annual bonus plan measures how our teams feel about working for Mitchells & Butlers, and, in turn, the service they provide to guests.	✓	
Instilling a more commercial culture	A commercial culture improves controls, efficiency, purchasing and pricing, driving both improved cashflow and operating performance.	Adjusted Operating Profit delivery is the main component of the annual bonus plan. Cashflow is the main component of the PSP.	✓	✓
	Commercial decisions must be guest-focused and benefit from the input of customer feedback.	The Guest Health metric quickly demonstrates where decisions are right or wrong and Executives are incentivised to react.	✓	
	Developing and evolving a commercial culture requires high levels of employee engagement and business awareness.	The employee engagement element of the annual bonus plan supports and underpins the development of culture.	✓	
Driving an innovation agenda	Innovation at small and large scale is an engine for improved sales and, therefore, cash and profit generation.	Adjusted Operating Profit delivery is the main component of the annual bonus plan. Operating Cashflow and EPS make up the majority of the PSP performance assessment.	✓	✓
	Guests' expectations continue to increase, demanding higher standards of service and digital capability.	The Guest Health element of the annual plan provides valuable actionable feedback and incentivises action.	✓	
	Innovation involves change, and delivery of change requires strong employee engagement.	The employee engagement element of the annual bonus plan incentivises action to maintain and improve employee engagement.	✓	

Overview of remuneration policy and its implementation for FY 2025

The key elements of our remuneration policy are shown below, along with details of how we plan to implement the policy specifically for 2025 and if any of the elements impact on future remuneration.

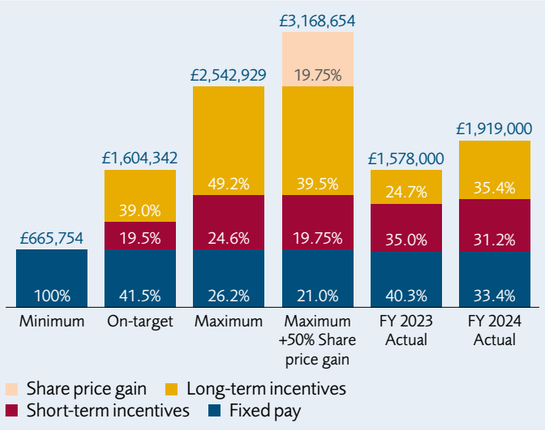
	Policy	2025	2026	2027	2028	2029	Implementation for 2025
Base pay	Increases in line with wider workforce, except for exceptional circumstances.						Base pay: Effective 1 Jan 2024 / Effective 1 Jan 2025 / % increase Phil Urban: 607,500 / 625,725 / 3.0 Tim Jones: 508,000 / 523,250 / 3.0 Average employee increase %: 8.9 (actual) / 7.3–9 (projected)
Benefits	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.						In line with FY 2024.
Pension	Executive Directors' contributions aligned with the wider workforce pension rate (currently 4% of salary).						Unchanged Phil Urban: 4% of salary. Tim Jones: 4% of salary.
Short-term incentives	Normal maximum of 100% of salary. At least 50% of performance conditions to be based on financial measures, the remainder based on non-financial or personal business objectives. 50% of the award to be deferred as shares and released in two equal tranches, after 12 and 24 months.						The following maximum opportunities will apply in FY 2025 (unchanged). Phil Urban: 100% of salary. Tim Jones: 100% of salary.
Long-term incentives	Normal maximum of 200% of salary, exceptional maximum of 250% of salary. Performance will be measured over no less than three financial years. At least 70% of the award will be based on the achievement of financial measures, the remainder based on non-financial, strategic or ESG measures. Vesting after three years, with a two-year holding period post-vesting.						The following maximum opportunities will apply in FY 2025 (unchanged). Phil Urban: 200% of salary. Tim Jones: 200% of salary. Performance measures for FY 2025 are: Operating Cashflow – (70%) Adjusted EPS – (20%) Sustainability (Scope 1,2 &3) – (10%)
Shareholding requirement	250% of salary for the CEO; 200% of salary for all other Executive Directors. All Executive Directors are required to maintain shareholding requirements in full for two years post-cessation.						Base pay: At start of FY 2024 / At start of FY 2025 Phil Urban: 148% / 246% Tim Jones: 133% / 229%

Report on Directors' remuneration continued

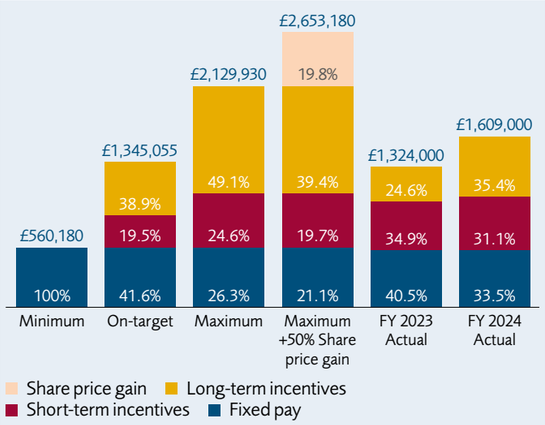
Illustrations of remuneration policy

The charts below show an estimate of the remuneration that could be received by Executive Directors under the remuneration policy. The charts also show the impact of a 50% increase in share price on the LTIP outcome.

Chief Executive



Chief Financial Officer



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 2024. Benefits are based on actual FY 2024 figures and include company car, healthcare and taxable expenses. Pension is aligned with the rate available to the wider workforce (4%).

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 Chief Financial Officer) is payable under the short-term incentive plan; and
- 50% of maximum (100% of base salary for the Chief Executive and Chief Financial Officer) is payable under the PSP.

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 Chief Financial Officer; and
- 200% of base salary for the Chief Executive and Chief Financial Officer is payable under the PSP.

Share price gain

This shows the impact a 50% increase in the share price would have on the maximum PSP outcome.

How our policy cascades to colleagues and workforce engagement

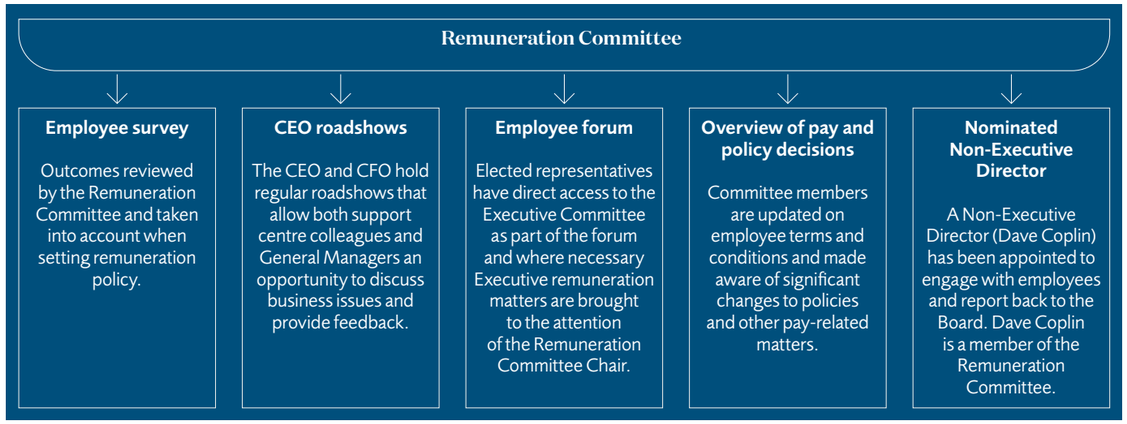
Remuneration below Executive Director level

The table below demonstrates how the key elements of Executive pay align with the wider workforce:

Job Group (Number of employees)	Base pay	Annual bonus	Long-term incentives	All-employee share plans
Executive Directors (2) **Executive Committee** (8) **Senior management** (c. 40) **Retail Support Centre** (c. 1,100) **Retail managers** (c. 5,500)	Pay broadly around mid-market levels. Overall, increases (in percentage terms) consistent across all salaried employee groups.	Bonus schemes for all schemes align to the business scorecard. The majority of bonus opportunity is linked to financial performance.	Measures and targets for long-term incentive plans consistent for all participants.	All employees can participate in any of the all-employee share schemes, subject to qualifying service, building a stake in the business.
Retail team members (c. 41,000)	Pay set in line with market requirements and closely monitored. Base pay for many employees is ahead of the statutory minimums. Many employees benefit from tips and service charges, and in line with the Employment (Allocation of Tips) Act 2023 100% of these earnings are passed on to employees.	Our pay approach is aimed at providing regular and predictable earnings through competitive base pay for our retail team members. This is valued more highly than variable pay elements by retail team members and is in line with our 'competitive' and 'straightforward' remuneration principles.		

Workforce engagement

We welcome and encourage feedback from employees on a broad range of topics including business improvement, engagement and remuneration. This feedback is gathered in a number of ways throughout the year as shown in the illustration below:



The Committee is regularly updated on pay and conditions applying to Group employees alongside other workforce-related matters.

Where significant changes are proposed to employment conditions and policies elsewhere in the Group, or there are important employee-related projects underway, these are highlighted for the attention of the Committee at an early stage. Over the course of FY 2024, these updates have again focused on employee engagement, a review of bonus and incentive schemes below Executive Committee level, progress against our diversity and inclusion agenda and plans to roll out a new talent management system that will help to support the development of our people.

The Committee takes into account the base pay review budget applicable to other employees when considering the pay of Executive Directors. 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.

Obtaining and understanding the views of our employees, including in relation to Executive Remuneration, is an important consideration for the Committee when developing and operating our overall approach to remuneration across Mitchells & Butlers. In addition to our approach to communicating with our employees, we also welcome feedback and all employees are invited to take part in our employee engagement surveys. These provide all employees with an opportunity to give anonymous feedback on a wide range of topics of interest or concern to them. The Committee reviews these results and any significant concerns over remuneration would be considered separately by the Committee and, if appropriate, taken into account when determining the remuneration approach and its implementation.

An employee forum is normally held twice every year, which gives an opportunity for employees to ask questions of senior management via elected representatives, and which from FY 2020 has been attended by Dave Coplin. In 2024, two forums were held in March 2024 and September 2024. The Executive team finds these forums very valuable, as the format allows for a more in-depth discussion and understanding that is not possible through other channels such as surveys.

In addition, in his role as the nominated Non-Executive Director, Dave Coplin undertakes a number of activities ranging from visits to our businesses to meet and discuss issues with employees, to focus groups with specific employee groups. Dave meets regularly with members of the Human Resources team and is also supporting the business in how it may utilise technology to better communicate with all employees, in particular through the deployment of a new employee app.

The views of employees in relation to Executive remuneration have been sought in the past and this issue was not proved to be an area of interest or concern for employees at this time. Our engagement survey has a section that allows employees to anonymously raise any concerns they may have on any matter, and in 2024 there were over 27,000 comments recorded, none of which related to senior management pay.

Annual report on remuneration

This section details the remuneration payable to the Executive and Non-Executive Directors (including the Company Chair) for the financial period ended 28 September 2024 and how we intend to implement our remuneration policy for FY 2025. This report, along with the Chair's annual statement, will be subject to a single advisory vote at the 2025 AGM.

Pay outcomes

The tables and related disclosures set out on pages 103 to 110 on Directors' remuneration, deferred annual bonus share awards ('STDIP'), PSP and RSP share options, Share Incentive Plan, Save as You Earn Plan ('SAYE') and pension benefits have been audited by KPMG LLP where explicitly indicated.

Executive Directors' remuneration

The table below sets out the single figure remuneration received by the Executive Directors during the reporting year and prior year.

Executive Directors (audited by KPMG)

	Basic salaries £000		Taxable benefits[a] £000		Short-term incentives £000		Pension-related benefits[b] £000		Long-term incentives[c] £000		Other[d] £000		Total remuneration £000		Total fixed pay £000		Total variable pay £000	
	FY 2024	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023
Phil Urban	**599**	581	**15**	15	**599**	552	**26**	40	**680**	390	**2.5**	3	**1,921.5**	1,581	**642.5**	639	**1,279**	942
Tim Jones	**501**	486	**16**	16	**501**	462	**22**	34	**569**	326	**2**	2	**1,611**	1,326	**541**	538	**1,070**	788
Sub-total Executive Directors	**1,100**	1,067	**31**	31	**1,100**	1,014	**48**	74	**1,249**	716	**4.5**	5	**3,532.5**	2,907	**1,183.5**	1,177	**2,349**	1,730

a. Taxable benefits for the year comprised car allowance, healthcare and taxable expenses.
b. Based on the value of supplements paid in lieu of contributions to the Company Scheme.
c. The value of the RSP vesting is based on the average share price in the last three months of the financial period (299.7p) multiplied by the number of shares vesting. The FY 2023 figure has been restated to reflect the actual value on vesting based on share price of 224.4p.
d. Includes free shares awarded under the SIP.

Annual bonus

Details of the measures and targets applying to the 2024 annual bonus plan are set out below[a]:

	Threshold – 95% of Target (% of salary payable)	Target (% of salary payable)	Maximum – 103% of Target (% of salary payable)	Outcome (% of salary payable)
Adjusted Operating Profit (70%) (52 weeks)	£255.5m (7.5%)	£269m (35%)	£277m (70%)	£312m[b] (70%)

	Threshold ■ Target ■ Performance (Score)	Calculation of outcome (% of salary payable)	Outcome (% of salary payable)
Guest Health (15%)		Each element is scored 1 if better than target, 0 if between threshold and target, and -1 if below threshold.	
Social Media Score	4.33 / 4.43 / 4.51 (1)	• If the sum of these scores is +2 then maximum bonus is paid (15%). • If the sum of these scores is +1 then an on-target payment would be made (7.5%). • If the sum of these scores is 0 then threshold bonus is paid (3.75%).	2 (15%)
Complaints Ratio	0.80 / 0.70 / 0.60 (1)		

	Threshold (% of salary payable)	Target (% of salary payable)	Maximum (% of salary payable)	Outcome (% of salary payable)
Employee Engagement (10%)[a]	81.5 (2.5%)	82.5 (5%)	83.5 (10%)	85.3 (10%)
Combined Safety Score (5%)		96.2% (5%)		97.3% (5%)

a. The measures, targets and outcomes are not audited.
b. Payout is on a straight-line basis between points.

Report on Directors' remuneration continued

Financial measures

Adjusted Operating Profit (Outcome 70% out of 70%)

The financial targets for FY 2024 were set at a time when the outlook for the financial period once again remained highly uncertain with a wide range of macroeconomic factors continuing to impact the business. These included stubbornly high inflation, geo-political instability, most notably from the war in Ukraine, and an uncertain cost outlook particularly in relation to employment, food and energy costs.

The financial target set for FY 2024 at the start of the year was considered by the Committee to be challenging when taking into account all of the relevant factors at the time the targets were agreed. The main drivers of cost inflation was anticipated to be employment costs followed by drink, food and logistics. Energy costs were forecast to fall over the year although any reduction was contingent on the outlook for energy pricing remaining favourable. An on-target performance would have required sales growth of at least 5% and for the net cost headwinds of c. £65m to be offset through improved margins and efficiencies.

Actual sales across the year were £2,610m, an increase of 6.1% and c.£25m ahead of budget. On a like for like basis sales increased by 5.3%. Our sales performance continued to outperform the market[1] consistently across the year.

1 As measured by the CGA Business Tracker.

Adjusted Operating Profit across the period was £312m; an increase of 41% on the prior period on a 52 week basis, and near the top of the range of consensus forecasts which had already been increased through the year. This performance was significantly ahead of both the target set at the start of the year (£269m) and the performance required to for a maximum payout (£277m). This reflected not only the strong sales performance over the year but also an improvement in margins which recovered at a faster pace than expected. This improvement in margins was driven in large part by our programme of Ignite initiatives combined with well controlled costs across the business.

Non-financial measures

The non-financial measures encompass Guest Health, Employee Engagement and Safety, and form an important part of the annual incentive plan. Bonus can only be earned if 97.5% of the Adjusted Operating Profit target is achieved.

Guest Health (15% out of 15%)

Guest Health performance is measured as a combination of online review scores and guest complaints. Over the year our online review scores have averaged 4.51, representing a best ever score for this measure. Very good progress has also been made on guest complaints, which are measured as a ratio of complaints received for every 1,000 meals served. Again, performance has been strong in this area building on progress made across FY 2023, with just 0.60 complaints for every 1,000 meals served in FY 2024. This combined performance has resulted in a maximum payment for the guest element.

Employee Engagement (10% out of 10%)

Employee engagement is measured at two points during the year. In the summer employees are invited to complete a comprehensive survey, 'YourSay', and this is supplemented by a shorter pulse survey in February. This year around 70% of employees completed a survey and the overall score across the two surveys was 85.3, a record high for employee engagement and an increase of almost three points on the prior year score, resulting in a maximum payment for this element.

Safety (5% out of 5%)

A new measure of safety was introduced in FY 2024 that encompasses four areas of safety, Food Hygiene (as measured by the National Food Hygiene Rating System), Food Practices, Allergens and Fire Safety. The measure assesses the percentage of our businesses that have scored at least a 4 or 5 rating in each of the elements in a combined score. The target set at the start of the year was for an overall performance of 96.2% of all ratings to be at a 4 or 5. The year end performance was 97.3% resulting in an on target/maximum payment for this element.

Overall outcome

The total bonus awarded to Executive Directors is 100% of salary, resulting in bonus payments of £598,731 and £500,750 to Phil Urban and Tim Jones respectively.

In line with our policy, half of any bonus award will be deferred into shares under the Short Term Deferred Incentive Plan ('STDIP'), which will be released in two equal amounts after 12 and 24 months. Bonus Share awards are subject to continued employment. These shares must be retained until the shareholding requirement is met and are subject to a post-cessation holding period.

Long-term incentives vesting during the year

FY 2022–24 RSP vesting

During FY 2022 share awards were made to Phil Urban and Tim Jones under the terms of the RSP to the value of 100% of their respective salaries.

Awards were subject to a performance underpin, meaning that the Committee took into account the following factors (amongst other things) when determining whether to exercise its discretion to adjust the number of shares vesting:

Underpin condition	Commentary
• if any adjustments have been made to annual bonus outcomes for each of the three years covered by the vesting period for awards under the RSP;	No adjustments were made to any bonus outcomes during the vesting period. The approval of any annual bonus payout is subject to a robust quality of earnings assessment that considers all aspects of scorecard performance and a range of other performance factors to determine if the annual bonus outcome was consistent with overall business performance. This annual assessment is then used as a basis to assess performance against these factors over the course of the RSP vesting period.
• whether there has been material damage to the reputation of the Company (in such circumstances, responsibility and hence any adjustments to the level of vesting may be allocated collectively or individually to participants); and	There were no issues that caused material damage to the reputation of the Company.
• that the business has a stable and appropriate capital structure in place following the cessation of restrictions on trade due to the Covid-19 pandemic that enables the recovery of the business and execution of the Company's strategic priorities.	The Board believes that the business continues to have a stable capital structure.

Therefore, having reviewed each underpin condition, the Committee determined that awards should vest in full.

Long-term incentive awards made during FY 2024

An award for FY 2023/25 was made to the Chief Executive and the Chief Financial Officer in January 2024 in accordance with the rules of the PSP and within the remuneration policy approved at the January 2024 AGM.

The performance condition has three independent elements: Operating Cashflow (70%); Earnings Per Share ('EPS') growth (20%); and a sustainability measure based on reduction in Scope 1, 2 & 3 emissions (10%).

The Committee undertook a thorough review of the performance measures and targets that will apply and disclosed this in last years report. For completeness these are summarised in the table below:

FY 2024 – 2026 PSP performance conditions	Weighting (% of maximum)	Threshold	Maximum
Operating Cashflow (£m)	70%	1,296	1,368
EPS Growth (% CAGR)	20%	21.4	25.9
Sustainability – reduction in Scope 1, 2 & 3 emissions tCO_2e	10%	-53,619	-53,619

Full details of awards made to Executive Directors under the PSP are set out below (audited by KPMG):

Executive Directors	Nil Cost Options awarded during the year to 28/09/24	Basis of award (% of basic annual salary)	Award date	Market price per share used to determine the award (p)[a]	Actual/ planned vesting date	Latest lapse date[b]	Face value[c] £
Phil Urban	467,307	200	31/1/24	260	Nov 26	Feb 2027	1,215,933
Tim Jones	390,769	200	31/1/24	260	Nov 26	Feb 2027	1,016,781
Total	**858,076**						**2,232,714**

a. Market price is the average of the middle market quotations on the three days prior to the award being made.
b. The date on which vested shares will lapse if not exercised.
c. Face value is the maximum number of shares that may vest (excluding any dividend shares that may accrue) multiplied by the middle market quotation of a Mitchells & Butlers share on the day the award was made (260.2p).

Report on Directors' remuneration continued

All-employee SIP

The table below shows the awards made to Directors under the free share element of the SIP during the year (audited by KPMG).

SIP

Executive Director	Shares awarded during the year to 28/9/24	Award date	Market price per share at award (p)	Normal vesting date	Market price per share at normal vesting date (p)	Lapsed during period
Phil Urban	862	2/7/24	287	2/7/27	n/a	–
Tim Jones	700	2/7/24	287	2/7/27	n/a	–
Total	**1,562**					

Directors' entitlements under the Partnership Share element of the SIP are set out as part of the Directors' interests table on page 110.

Executive Directors: Implementation of remuneration policy in FY 2025

Fixed Pay (Base Pay, Pensions and Benefits)

The current level of inflation is putting pressure on pay increases. Overall pay increases have been 8.9% over the year with hourly paid frontline employees who are typically the lowest paid employees in the Group, seeing the largest increases.

With effect from 1 January 2025 Phil Urban's salary will increase to £625,725 (3%) and Tim Jones's to £523,250 (3%).

The pension allowance paid to Executive Directors remains at 4%, in line with the general workforce.

There are no changes to the benefits available to Executive Directors.

Annual Bonus

The Committee believes that the annual bonus scheme for FY 2024 was successful in driving the right behaviours across the business and as such has determined that the annual bonus scheme for FY 2025 will be the same and will be structured as follows:

- The maximum earnings opportunity will remain at 100% of base salary.
- Adjusted Operating Profit will continue to account for 70% of the overall opportunity.

  The remaining 30% of the annual bonus plan will be allocated against the business scorecard as follows:

  – 15% for Guest Health (reputation.com scores and guest complaints).
  – 10% for employee engagement.
  – 5% for overall safety performance.

- The non-financial elements will only be payable if a threshold level of financial performance is achieved. For FY 2025 this will be unchanged at 97.5% of Adjusted Operating Profit.

Targets are not being disclosed on the basis that they are considered commercially sensitive but will be disclosed in next year's report.

Executive Directors are also aware that the Committee may take into account other factors when assessing if any bonus may be paid as part of our established quality of earnings assessment. In particular this assessment will review the overall financial performance of the Group over the year to ensure that any payout resulting from the approach to target setting above, is consistent with overall performance across the year.

Performance Share Plan ('PSP') award FY 2025 to FY 2027

A PSP award is due to be made in respect of the 2025–2027 performance period.

The Committee has undertaken a thorough review of the performance measures that will apply and these are summarised in the table below:

2025 – 2027 PSP performance conditions	Weighting (% of maximum)	Threshold	Maximum
Operating Cashflow (£m)	70%	1,370	1,448
EPS Growth (% CAGR)	20%	4.1	6.9
Sustainability – reduction in Scope 1, 2 & 3 emissions tCO_2e	10%	-41,891	-41,891

Additional remuneration disclosures

Payment for loss of office

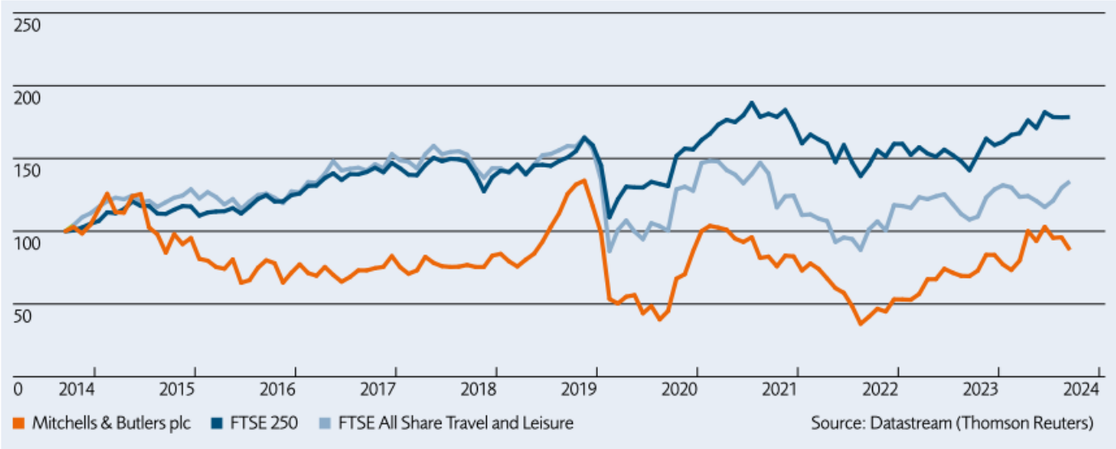
No payments for loss of office were made in the year ended 28 September 2024.

Payments to past Directors

No payments were made to any past Directors in the year ended 28 September 2024.

Total shareholder return from September 2014 to September 2024 (rebased to 100)

This graph shows the value, by 28 September 2024, of £100 invested in Mitchells & Butlers plc on 28 September 2014, compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Travel and Leisure indices.



CEO earnings history

Year ended	26/09/15	24/09/16	30/09/17	29/09/18	28/09/19	26/09/20	25/9/21	24/9/22	30/9/23	**28/09/24**
Phil Urban										
Single figure remuneration (£000)	–	613	770	819	1,684	553	627	810	1,573	**1,921.5**
Annual bonus outcome (% of max)	–	–	28	39	82	–	–	33	95	**100**
LTIP vesting outcome (% of max)	–	–	–	–	47.5	–	–	–	100	**100**
Alistair Darby										
Single figure remuneration (£000)	878	–	–	–	–	–	–	–		
Annual bonus outcome (% of max)	–	–	–	–	–	–	–	–		
LTIP vesting outcome (% of max)	19.0	–	–	–	–	–	–	–		

Pay ratios

The table below sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles for 2024. Data is also presented for 2018 as Mitchells & Butlers has disclosed the pay ratio between the Chief Executive and the median pay of other employees for the last six years, despite not needing to comply with this requirement until the 2020 Annual Report.

	Chief Executive pay ratio			
Financial period	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2024	**Option C**	**92:1**	**92:1**	**87:1**
2023	Option C	86:1	82:1	78:1
2022	Option C	53:1	47:1	45:1
2021	Option C	41:1	38:1	36:1
2020	Option C	37:1	35:1	35:1
2019	Option C	120:1	112:1	106:1
2018	Option C	61:1	58:1	52:1

The lower quartile, median and upper quartile employees were calculated based on full-time equivalent base pay data as at 28 September 2024. This calculation methodology was selected as the data was felt to be the most accurate way of identifying the best equivalents of P25, P50 and P75 and, therefore, the most accurate measurement of our pay ratios. Of the three allowable methodologies under the legislation, this method is classed as 'Option C'. Option A was considered but given the high levels of team member turnover, it was felt more appropriate to adopt the approach set out above.

The employee pay data has been reviewed and the Committee is satisfied that it fairly reflects the relevant quartiles given the very large proportion of hourly paid team members employed by Mitchells & Butlers (c. 85% of the total workforce). The three representative employees used to calculate the pay ratios are hourly paid and the base pay elements were calculated using a full-time equivalent hourly working week of 35 hours. Hourly paid employees do not participate in the annual bonus plan or long-term incentive plan and in most cases do not have any taxable benefits. Employee pay does not include earnings from tips and service charges, from which many employees benefit. The calculations are based on the single figure methodology and exclude the value of any awards under the free share element of the SIP.

Report on Directors' remuneration continued

Pay details for the individuals are set out below:

	Chief Executive (£)	P25 (lower quartile) (£)	P50 (median) (£)	P75 (upper quartile) (£)
Salary	598,731	20,402	20,821	21,148
Total pay	1,919,044	20,826	20,833	21,298

On a total pay basis, the ratio of workforce pay to the Chief Executive's total pay has increased, reflecting the higher levels of variable pay from the annual bonus plan and the vesting under the RSP. The Committee believes that the ratio is broadly consistent with that of other organisations in the hospitality and retail sectors. The overall trend in the median ratio aligns with the movement in the single total figure of remuneration over time.

Hourly-paid employees do not participate in the annual bonus plan, whereas salaried employees do participate in an annual bonus plan (c. 5,450 employees). The median pay ratio is consistent with pay and progression policy for UK employees. More broadly, pay in the hospitality sector is lower than many other sectors and this will be an influencing factor in the overall pay ratio, despite significant increases in pay rates over the last few years.

Gender Pay Gap

The 2024 mean Gender Pay Gap for the Group is 5.9% (2023, -1.7%) and the median Gender Pay Gap is 1.7% (2023, 0.6%). The mean bonus gap is 25.5% (2023, 24.3%) and the median bonus gap is 0.0% (2023, 26.3%).

Year-on-year change in remuneration of Directors compared to an average employee

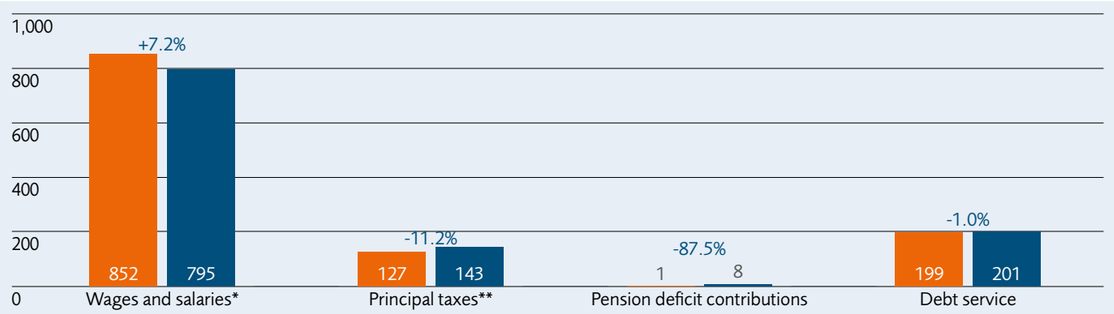
	2024			2023			2022			2021		
	Salary/ Fees	**Bonus**	**Benefits**	Salary/ Fees	Bonus	Benefits	Salary/ Fees	Bonus	Benefits	Salary/ Fees	Bonus	Benefits
Average employee	**9.7%**	**7.0%**	**-4.5%**	8.7%	422.3%	-6.3%	5.6%	32.2%	-14.0%	1.2%	81.6%	6.3%
Executive Directors												
Phil Urban	**3.0%**	**8.5%**	**0.0%**	6.5%	202.9%	4.3%	2.2%	100.0%	3.1%	0.00%	0.00%	-1.4%
Tim Jones	**3.0%**	**8.4%**	**2.6%**	6.5%	203.0%	2.2%	2.2%	100.0%	5.9%	0.00%	0.00%	-3.3%
Non-Executive Directors												
Bob Ivell	**-0.9%**	**–**	**16.7%**	4.8%	–	180.0%	0.0%	0.0%	-60.4%	0.0%	0.0%	-25.4%
Eddie Irwin	**-0.9%**	**–**	**–**	4.8%	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	0%
Dave Coplin	**-0.9%**	**–**	**36.1%**	4.8%	–	967.9%	0.0%	0.0%	-93.2%	0.0%	0.0%	-74.0%
Josh Levy	**-0.9%**	**–**	**–**	4.8%	–	–	0.0%	0.0%	-100.0%	0.0%	0.0%	225.1%
Keith Browne	**-0.9%**	**–**	**–**	4.8%	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	-59.2%
Jane Moriarty	**-0.9%**	**–**	**98.2%**	8.7%	–	197.3%	34.8%	0.0%	-54.3%	24.5%	0.0%	443.9%
Amanda Brown	**-0.9%**	**–**	**–**	354.0%	–	–	100.0%	0.0%	0.0%	n/a	n/a	n/a

Salaries and fees are based on rates at the year end date on a full time equivalent ('FTE') basis. Hourly paid employees do not participate in any bonus scheme and in most cases are not eligible for taxable benefits. The figures shown for these elements are based on the year-on-year change for eligible employees.

The figures for Executive Directors do not include LTIP awards or pension benefits that are disclosed in the single figure table. The benefit figures for Non-Executive Directors relate to taxable expenses as detailed in the single figure table on page 109. The small decrease in fees for Non-Executive Directors in FY 2024 is due to FY 2023 being a 53 week year.

Relative importance of spend on pay £m

Figures shown for wages and salaries consist of all earnings, including bonus. In FY 2024, £3m (0.35%) was paid to Executive and Non-Executive Directors (2023 £2.9m (0.36%)).



FY 2024 ■ FY 2023 * From note 2.3 to the consolidated financial statements. ** Business Rates, Corporation Tax, Employer's NI. There were no shareholder dividends or share buybacks in FY 2023.

Fees for external directorships

No external non-executive directorships were held by either Executive Director during the year to 28 September 2024.

Chair and Non-Executive Directors

Non-Executive Directors (audited by KPMG)

The table below set out the single figure remuneration received by the Non-Executive Directors during the reporting year and prior year.

	Fees £000		Taxable benefits[a] £000		Short-term incentives £000		Pension-related benefits £000		Long-term incentives £000		Other £000		Total remuneration £000		Total fixed pay £000		Total variable pay £000	
	FY 2024	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023	**FY 2024**	FY 2023
Bob Ivell	**295**	298	**2**	2	**–**	–	**–**	–	**–**	–	**–**	–	**297**	300	**297**	300	**–**	–
Eddie Irwin	**55**	55	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**55**	55	**55**	55	**–**	–
Josh Levy	**55**	55	**0.5**	0.5	**–**	–	**–**	–	**–**	–	**–**	–	**55.5**	55.5	**55.5**	55.5	**–**	–
Dave Coplin	**68**	69	**1**	0.5	**–**	–	**–**	–	**–**	–	**–**	–	**69**	69.5	**69**	69.5	**–**	–
Keith Browne	**55**	55	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**55**	55	**55**	55	**–**	–
Jane Moriarty	**82**	83	**3**	1	**–**	–	**–**	–	**–**	–	**–**	–	**85**	84	**85**	84	**–**	–
Amanda Brown	**68**	69	**1**	1	**–**	–	**–**	–	**–**	–	**–**	–	**69**	70	**69**	70	**–**	–
Sub-total Non-Executive Directors	**678**	684	**7.5**	5	**–**	–	**–**	–	**–**	–	**–**	–	**685.5**	689	**685.5**	689	**–**	–
Total Executive Directors and Non-Executive Directors	**1,778**	1,751	**38.5**	36	**1,100**	1,014	**48**	74	**1,249**	716	**4.5**	5	**4,218**	3,596	**1,869**	1,866	**2,349**	1,730

a. 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).

Non-Executive Directors: Implementation of remuneration policy in FY 2025

The Chair's fee and those of the Non Executive Directors were increased in January 2022. No increase will apply in 2025.

Directors' shareholdings and share interests

PRSP, RSP, PSP, STDIP and SAYE

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

Executive Director	Scheme	Number of shares at 30 September 2023	Granted during the period	Lapsed during the period	Exercised during the period	Number of shares at 28 September 2024
Phil Urban	PRSP	89,483	–	89,483	–	–
	RSP	813,107	–	–	173,807	639,300
	PSP	–	467,307	–	–	467,307
	STDIP	68,152	121,496	–	34,076	155,572
	SAYE	7,031	–	–	–	7,031
	Total	**977,773**	**588,803**	**89,483**	**207,883**	**1,269,210**
Tim Jones	PRSP	52,382	–	52,382	–	–
	RSP	680,332	–	–	145,407	534,925
	PSP	–	390,769	–	–	390,769
	STDIP	57,027	101,677	–	28,514	130,190
	SAYE	–	–	–	–	–
	Total	**789,741**	**492,446**	**52,382**	**173,921**	**1,055,884**

Gains made by the Executive Directors in relation to share options during FY 2024 were nil.

Directors' interests

Executive Directors are expected to hold Mitchells & Butlers shares in line with the shareholding guideline set out in the approved remuneration policy.

This requires the Chief Executive to accumulate Mitchells & Butlers shares to the value of a minimum of 250% of salary (200% of salary for the CFO) through the retention of shares arising from share schemes (on a net of tax basis) or through market purchases. Phil Urban's shareholding at 28 September 2024 was 246% of his basic annual salary (2023 148%) and as a result Phil Urban has not met the shareholding guideline at this time. Tim Jones's shareholding was 229% of his basic annual salary (2023 133%) and as a result Tim Jones has met the shareholding guideline. Shareholdings are calculated based on the average share price over the final three months of the financial period; for FY 2024 this was 299.7p (FY 2023 219.8p). In line with the remuneration policy, no shares can be sold until the guideline is met and post-cessation holding requirements are in place.

Report on Directors' remuneration continued

The interests of the Directors in the ordinary shares of the Company as at 30 September 2023 and 28 September 2024 are as set out below (audited by KPMG):

	Wholly-owned shares without performance conditions[a]		Unvested shares with performance conditions		Unvested shares without performance conditions[b]		Unvested options without performance conditions[c]		Unvested options with performance conditions/underpins[d]		Vested but unexercised options		Total shares/options	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Executive Directors														
Phil Urban	**499,599**	388,139	**–**	–	**155,572**	68,152	**7,031**	7,031	**1,106,607**	902,590	**–**	–	**1,768,809**	1,365,912
Tim Jones	**387,597**	294,259	**–**	–	**130,180**	57,027	**–**	–	**925,694**	732,714	**–**	–	**1,443,471**	1,084,000
Non-Executive Directors														
Bob Ivell	**17,222**	17,222	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17,222**	17,222
Eddie Irwin	**43,833**	43,833	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43,833**	43,833
Dave Coplin	**6,000**	6,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6,000**	6,000
Josh Levy	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Keith Browne	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Jane Moriarty	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Amanda Brown	**–**	–	**–**		**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total	**954,251**	749,453	**–**	–	**285,752**	125,179	**7,031**	7,031	**2,032,301**	1,635,304	**–**	–	**3,279,335**	2,516,967

a. Includes Free Shares and Partnership Shares granted under the SIP.
b. Deferred bonus awards granted under the STDIP.
c. Options granted under the Sharesave as detailed in the table on page 109.
d. Options granted under the RSP or PSP as detailed in the table on page 109.

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

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

Phil Urban and Tim Jones acquired 107 and 108 shares respectively under the Partnership Share element of the Share Incentive Plan between the end of the financial period and 26 November 2024. There have been no changes in the holdings of any other Directors since the end of the financial period.

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 28 September 2024 was 302p and the range during the year to 28 September 2024 was 199p to 317p per share.

The Executive Directors as a group beneficially own 0.1% of the Company's shares.

Service contracts and Letters of Appointment

Executive Directors

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 Chair, 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 of Association, all Directors, including Non-Executive Directors, will stand for re-election at the 2025 AGM. This is also in line with the provisions of the 2018 UK Corporate Governance Code. Non-Executive Directors' appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination.

Copies of 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 2025 AGM.

Mitchells & Butlers Remuneration Committee

Committee terms of reference

The Committee's terms of reference were reviewed and updated in 2019 to take account of the 2018 UK Corporate Governance Code.

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 remuneration policy, the objective of which is to ensure that the policy promotes the long-term success of the Company;
- determining the individual remuneration packages of the Executive Directors and other senior Executives (including the Group General Counsel and Company Secretary and all direct reports to the Chief Executive) and, in discussion with the Executive Directors, the Company Chair;
- 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
Amanda Brown[a]	4 July 2022
Bob Ivell	11 July 2013
Dave Coplin[a]	29 February 2016
Josh Levy	20 July 2017
Jane Moriarty[a]	27 February 2019

a. Independent Non-Executive Directors.

Committee activity during the year

During the year the Committee met four times.

Key remuneration items considered over the year were as follows:

October 2023	Remuneration Policy
	Annual Bonus Targets
	Salary Reviews
	PSP Targets
November 2023	Remuneration Policy
	2023 Bonus – Confirmation of outcome
	2021 RSP Vesting outcome
	Final approval of PSP Targets
	Divisional Directors' FY 2024 bonus
April 2024	Employee Update
	All Employee Share Schemes approval
	Governance Update
September 2024	2025 Annual Bonus Plan structure
	Executive Pay Benchmarking
	Employee engagement

Advice to the Committee

The Committee received advice from PwC LLP ('PwC') during the year. PwC were appointed following a competitive tender process during 2018. PwC are signatories 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 £38,000[b] and were charged on a time and materials basis.

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 and that the PwC engagement partner and the team that provide remuneration advice to the Committee do not have any connections that may impair their independence.

Members of management including Susan Martindale, the Group HR Director, and Craig Provett, the Director of Compensation and Benefits, are invited to attend meetings on remuneration matters where appropriate. They are not present when matters affecting their own remuneration arrangements are discussed. The Company Chair 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-term and short-term incentive arrangements and share schemes were discussed. However, each declared an interest in the matters under review and did not vote on their own arrangements.

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

Report on Directors' remuneration continued

Previous AGM voting outcomes

At the last AGM (held on 23 January 2024), a resolution on the annual report on remuneration was subject to an advisory vote.

The table below sets out details of this advisory vote at the 2024 AGM, and also the outcome of the vote on our remuneration policy at the 2024 AGM:

	Votes cast	Votes for[a]	%	Votes against	%	Votes withheld[b]
Approval of annual report on remuneration	535,078,717	530,322,991	99.11	4,755,726	0.89	45,033
Approval of remuneration policy at 2024 AGM	535,062,052	509,875,972	95.29	25,186,080	4.71	61,730

a. The 'For' vote includes those giving the Company Chair 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.

The Board was pleased with the very high levels of support for both the new policy and the annual report on remuneration.

The Directors' Remuneration Report has been approved by the Board of Mitchells & Butlers plc.

Amanda Brown
Chair of the Remuneration Committee
26 November 2024

Financial Statements

52 weeks ended 28 September 2024

Details the financial performance of the Group in FY 2024 in comparison to its performance in prior years.

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

1. Our opinion is unmodified

We have audited the financial statements of Mitchells & Butlers plc ("the Company") for the 52 week period ended 28 September 2024 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 and the related notes, including the accounting policies within notes 1 to 5.3 of the Group financial statements and notes 1 to 10 of the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 28 September 2024 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 25 January 2022. The period of total uninterrupted engagement is for the 3 financial periods ended 28 September 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£24m (2023:£23m) 0.46% (2023: 0.48%) of total assets
Coverage	94% (2023:82%) of Group profit before tax 92% (2023: 91%) of Group Total assets
Key audit matters	**vs 2023**
Recurring risks	Valuation of the freehold and long leasehold restaurant and pub estate ↔
	Recoverability of parent Company investment in subsidiaries ↔

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of the freehold and long leasehold restaurant and pub estate

(£4,260 million; 2023: £3,933 million)

Refer to page 90 (Audit Committee Report) and pages 140–142 (of the financial disclosures).

The risk

Subjective estimate

The Group holds its freehold and long leasehold property estate at fair value, with a revaluation taking place as at each balance sheet date. We determined that the valuation of the Group's property estate is a major source of estimation uncertainty.

The valuation involves the determination of estimates, most notably the fair maintainable trade (FMT) and applicable trading multiples by brand and location.

These estimations are inherently subjective and small changes in the assumptions used to value the Group's estate could have a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 3.1) disclose the sensitivity estimated by the Group.

Business risks related to audit risks include:

- Economic environment (cost inflation) and consumer changes (post COVID-19 demographic changes) have led to increased uncertainty of future performance based on historic trends.
- Capital market sentiment of the sector remains in recovery and the sector has been trading below its historical levels, leading to a deficit between market capitalisation and asset carrying value of the Group as a whole.

Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures included:

Assessing valuation approach:
We met with the Group's external valuers and the relevant Group management to critically assess the valuation assumptions and methodology used in valuing the properties and the market evidence used by the valuers to support their assumptions. We also obtained an understanding of the relevant Group management's involvement in the valuation process to assess whether appropriate oversight had occurred.

Assessing valuer's credentials:
We critically assessed the independence, professional qualification, competence and experience of the internal and external valuers engaged by the Group.

Sensitivity analysis:
We considered sensitivities to the overall valuation from changes to fair maintainable trade and to valuation multiples.

Benchmarking assumptions:
We challenged the key assumption (being FMT and multiple), with the assistance of our own valuation specialists, for a sample of properties by making a comparison to market comparable data.

Comparing assumptions
We compared the sum of discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows which were consistent with those used to help inform our assessment of FMT.

Assessing inputs:
We agreed observable inputs used for a sample of assets in the valuation to source documentation.

Assessing outputs:
We evaluated and challenged the output of the valuations through the identification of higher risk assets with the assistance of our own valuation specialists by comparing to similar asset performance.

Assessing transparency:
We critically assessed the adequacy of the Group's disclosures in relation to the valuation of the estate and the sensitivity of changes in key assumptions.

Our results:
We found the valuation of the freehold and long leasehold restaurant and pub estate to be acceptable (2023: acceptable).

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

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of parent Company's investment in subsidiaries (£1,966 million; 2023: £1,866 million) Refer to note 5 on page 184 of the financial disclosures.	**Low risk high value** The carrying amount of the parent Company's investments in subsidiaries represents 71% (2023: 74%) of the Company's total assets. Their recoverability is not a high risk of misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Test of detail:** We compared the carrying amount of all investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, are in excess of their carrying amount and assess whether those subsidiaries have historically been profit-making. **Comparing valuations:** For the investments where the carrying amount exceeds the net asset value, we compared the carrying amount of the investment to the directors' assessment of value in use. **Benchmarking assumptions:** We assessed and challenged the key assumptions in the value in use calculations through comparison to industry forecasts and other externally derived data. We compared the sum of the discounted cash flows to the Group's market capitalisation and Group's net assets to assess the reasonableness of those cash flows. **Our results:** We found the parent Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2023: acceptable).

We continue to perform procedures over going concern. However, given the Company's trading performance, we consider the risk of material uncertainty to be remote and hence we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £24 million (2023: £23 million), determined with reference to a benchmark of total assets, of which it represents 0.46% (2023: 0.48%) which we consider to be appropriate given the sector in which the entity operates; the majority of total asset value is in the pub estate and these assets act as security for the Group's securitised borrowings and will therefore be a focus of users of the accounts.

Materiality for the parent Company financial statements as a whole was set at £18.7 million (2023: £18.7 million), determined with reference to a benchmark of parent Company total assets, of which it represents 0.68% (2023: 0.74%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £18 million (2023: £17.2 million) for the Group and £14 million (2023: £13.8 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In addition, we applied materiality of £17 million, to Group revenue and cash and cash equivalents (2023: £16.4 million to Group revenue), for which we believe misstatement of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.2 million (2023: £1.15 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

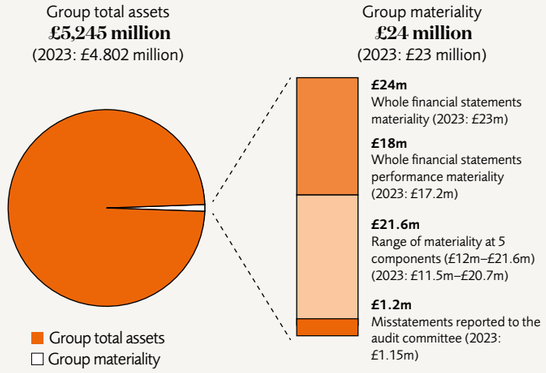
Of the Group's 6 (2023: 6) reporting components, we subjected 5 (2023: 5) to full scope audits for group purposes and 1 (2023: 1) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information (including enquiry) at a further 42 (2023: 41) non-significant components as these components are not quantitively or qualitatively significant.

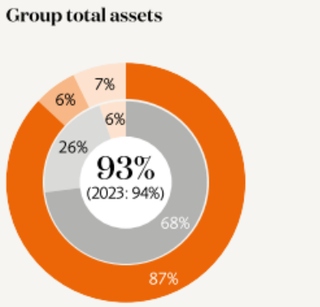
The components within the scope of our work accounted for the percentages illustrated below.

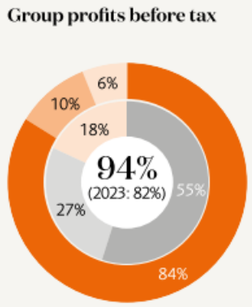
We subjected 1 (2023: 1) components to specified risk-focused audit procedures over borrowings, derivative financial instruments, cash and cash equivalents, deferred tax asset, finance costs, finance income and cash flow hedges.

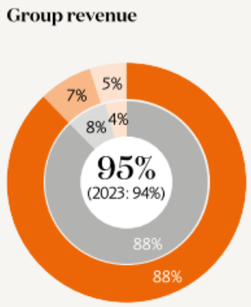
For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.









Full scope for group audit purposes 2024
Specified risk-focused audit procedures 2024
Full scope for group audit purposes 2023
Specified risk-focused audit procedures 2023
Residual components

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

4. The impact of climate change in our audit

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

The Group has set out its target to achieve zero greenhouse gas emissions by 2040, for Scope 1, 2 & 3 emissions, zero operation waste to landfill by 2030 and to reduce food waste by 50% by 2030 (from FY 2019 baselines).

However, whilst the Group has set targets to be carbon neutral by 2050, the consequences, in terms of investment, of the gross cost of this transition, how the demand might be impacted by the price increases needed to recover these costs and the longer term changes in customer behaviour are still being assessed, as the Group considers how it will work towards meeting these targets.

As part of our audit we have performed a risk assessment, including making enquiries of management, reading board meeting minutes and applying our knowledge of the Group and sector in which it operates to understand the extent of the potential impact of climate change risk on the Group's financial statements. Taking into account the nature of the business, we have not assessed climate related risk to be significant to our audit this financial year. There was no impact on our key audit matters.

We also read the Group's disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our knowledge gained from our financial statement audit work.

5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 12 months from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's available financial resources and metrics relevant to debt covenants over this period were:

- Maintenance of sales growth in the face of pressure on consumer spending power
- Future outlook for cost inflation specifically in food costs, drink costs, energy prices and wages and salaries.

We also considered less predictable but realistic second order impacts, such as global political developments, supply chain disruptions and government policy that could affect demand in the Group's markets.

We considered whether these risks could plausibly affect the liquidity and covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 53 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's and parent Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's and parent Company's channels for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee, risk and remuneration committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for directors and other management.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Considering the existence of any significant unusual transactions.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the estate and impairment assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because Group revenue is generated predominantly through the operation of pubs. This revenue contains no significant judgements and is comprised of a large number of small, simple transactions that are received in cash or credit card receivables at the point of sale. Therefore there is limited opportunity for management to manipulate or to fraudulently post the volume of transactions that would be required to have a material impact on revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management/those posted to unusual accounts related to revenue, cash and borrowings, operating costs/other expenses, seldom used accounts and those that move costs out of EBITDA.
- Evaluated the business purpose of significant unusual transactions.
- Assessed whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: licensing regulations, responsible drinking regulations, planning and building legislation, health and safety, data protection laws, anti-bribery, employment law, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 86 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered 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.

We are also required to review the viability statement, set out on page 53 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that 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 position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 74, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10. The purpose of our audit work and to whom we owe our responsibilities

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.

Simon Haydn-Jones
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

26 November 2024

Group income statement

For the 52 weeks ended 28 September 2024

	Notes	2024 52 weeks Before separately disclosed items £m	2024 52 weeks Separately disclosed items[a] £m	2024 52 weeks Total £m	2023 53 weeks Before separately disclosed items £m	2023 53 weeks Separately disclosed items[a] £m	2023 53 weeks Total £m
Revenue	2.1, 2.3	**2,610**	**–**	**2,610**	2,503	–	2,503
Operating costs before depreciation, amortisation and movements in the valuation of the property portfolio	2.2, 2.3	**(2,168)**	**–**	**(2,168)**	(2,145)	–	(2,145)
Share in associates' results	3.7	**–**	**–**	**–**	1	–	1
Net profit arising on property disposals	2.2, 2.3	**–**	**2**	**2**	–	3	3
EBITDA[b] before movements in the valuation of the property portfolio		**442**	**2**	**444**	359	3	362
Depreciation, amortisation and movements in the valuation of the property portfolio	2.2, 2.3	**(130)**	**(14)**	**(144)**	(133)	(131)	(264)
Operating profit/(loss)		**312**	**(12)**	**300**	226	(128)	98
Finance costs	4.2	**(109)**	**–**	**(109)**	(116)	–	(116)
Finance income	4.2	**10**	**–**	**10**	8	–	8
Net pensions finance charge	4.2, 4.5	**(2)**	**–**	**(2)**	(3)	–	(3)
Profit/(loss) before tax		**211**	**(12)**	**199**	115	(128)	(13)
Tax (charge)/credit	2.2, 2.4	**(54)**	**4**	**(50)**	(19)	28	9
Profit/(loss) for the period		**157**	**(8)**	**149**	96	(100)	(4)
Earnings/(loss) per ordinary share							
– Basic	2.5	**26.4p**		**25.0p**	16.1p		(0.7p)
– Diluted	2.5	**26.2p**		**24.8p**	16.1p		(0.7p)

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 Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 186 to 189 of this Report.

The notes on pages 127 to 179 form an integral part of these consolidated financial statements.

All results relate to continuing operations.

Group statement of comprehensive income

For the 52 weeks ended 28 September 2024

	Notes	2024 52 weeks £m	2023 53 weeks £m
Profit/(loss) for the period		**149**	(4)
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain/(loss) on revaluation of the property portfolio	3.1	**254**	(76)
Remeasurement of pension liability	4.5	**166**	42
Tax relating to items not reclassified	2.4	**(116)**	5
		304	(29)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**–**	(1)
Cash flow hedges:			
– (Losses) arising during the period	4.3	**(34)**	(9)
– Reclassification adjustments for items included in profit or loss	4.3	**11**	30
Tax relating to items that may be reclassified	2.4	**6**	(5)
		(17)	15
Other comprehensive income/(expense) after tax		**287**	(14)
Total comprehensive income/(expense) for the period		**436**	(18)

The notes on pages 127 to 179 form an integral part of these consolidated financial statements.

Group balance sheet

28 September 2024

	Notes	2024 £m	2023 £m
Assets			
Goodwill and other intangible assets	3.6	**20**	17
Property, plant and equipment	3.1	**4,419**	4,086
Right-of-use assets	3.2	**307**	327
Finance lease receivables	3.2	**11**	11
Other receivables	3.4	**–**	47
Pension surplus	4.5	**164**	–
Deferred tax asset	2.4	**3**	4
Derivative financial instruments	4.3	**19**	33
Total non-current assets		**4,943**	4,525
Inventories	3.4	**27**	25
Trade and other receivables	3.4	**98**	123
Finance lease receivables	3.2	**1**	1
Derivative financial instruments	4.3	**–**	2
Cash and cash equivalents	4.4	**176**	126
Total current assets		**302**	277
Total assets		**5,245**	4,802
Liabilities			
Pension liabilities	4.5	**(1)**	(1)
Trade and other payables	3.4	**(482)**	(491)
Current tax liabilities		**(1)**	(2)
Borrowings	4.1	**(143)**	(144)
Lease liabilities	3.2	**(33)**	(33)
Derivative financial instruments	4.3	**(2)**	–
Total current liabilities		**(662)**	(671)
Pension liabilities	4.5	**(24)**	(21)
Other payables	3.4	**(8)**	–
Borrowings	4.1	**(1,041)**	(1,186)
Lease liabilities	3.2	**(414)**	(430)
Derivative financial instruments	4.3	**(27)**	(7)
Deferred tax liabilities	2.4	**(491)**	(348)
Provisions	3.5	**(12)**	(9)
Total non-current liabilities		**(2,017)**	(2,001)
Total liabilities		**(2,679)**	(2,672)
Net assets		**2,566**	2,130
Equity			
Called up share capital	4.7	**51**	51
Share premium account	4.7	**357**	357
Capital redemption reserve	4.7	**3**	3
Revaluation reserve	4.7	**1,143**	951
Own shares held	4.7	**(9)**	(5)
Hedging reserve	4.7	**(21)**	(4)
Translation reserve	4.7	**14**	14
Retained earnings		**1,028**	763
Total equity		**2,566**	2,130

The notes on pages 127 to 179 form an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board and authorised for issue on 26 November 2024.

They were signed on its behalf by:

Tim Jones
Chief Financial Officer

Group statement of changes in equity

For the 52 weeks ended 28 September 2024

	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 24 September 2022	51	357	3	1,009	(5)	(20)	15	733	2,143
Loss for the period	–	–	–	–	–	–	–	(4)	(4)
Other comprehensive (expense)/income	–	–	–	(58)	–	16	(1)	29	(14)
Total comprehensive (expense)/income	–	–	–	(58)	–	16	(1)	25	(18)
Credit in respect of share-based payments	–	–	–	–	–	–	–	5	5
At 30 September 2023	51	357	3	951	(5)	(4)	14	763	2,130
Profit for the period	–	–	–	–	–	–	–	149	149
Other comprehensive income/(expense)	–	–	–	192	–	(17)	–	112	287
Total comprehensive income/(expense)	–	–	–	192	–	(17)	–	261	436
Purchase of shares	–	–	–	–	(7)	–	–	–	(7)
Release of shares	–	–	–	–	3	–	–	(3)	–
Credit in respect of share-based payments	–	–	–	–	–	–	–	6	6
Tax on share-based payment	–	–	–	–	–	–	–	1	1
At 28 September 2024	**51**	**357**	**3**	**1,143**	**(9)**	**(21)**	**14**	**1,028**	**2,566**

The notes on pages 127 to 179 form an integral part of these consolidated financial statements.

Group cash flow statement

For the 52 weeks ended 28 September 2024

	Notes	2024 52 weeks £m	2023 53 weeks £m
Cash flow from operations			
Operating profit		**300**	98
Add back/(deduct):			
Movement in the valuation of the property portfolio	2.2	**14**	131
Net profit arising on property disposals	2.2	**(2)**	(3)
Loss on disposal of fixtures, fittings and equipment		**–**	2
Depreciation of property, plant and equipment	2.3	**92**	93
Amortisation of intangibles	2.3	**4**	4
Depreciation of right-of-use assets	2.3	**34**	36
Cost charged in respect of share-based payments	4.6	**7**	5
Administrative pension costs	4.5	**5**	5
Share of associates results	3.7	**–**	(1)
Settlement of pre existing lease contracts	2.2	**–**	3
Fair value gain on associate	2.2	**–**	(5)
Operating cash flow before movements in working capital and additional pension contributions		**454**	368
Increase in inventories		**(1)**	(2)
Decrease/(increase) in trade and other receivables		**44**	(42)
Increase in trade and other payables		**8**	44
Decrease in provisions		**(1)**	(1)
Additional pension contributions	4.5	**(1)**	(8)
Cash flow from operations		**503**	359
Interest payments[a]		**(96)**	(95)
Interest receipts/(payments) on interest rate swaps[a]		**3**	(7)
Interest receipts on cross currency swap[a]		**7**	7
Interest payments on cross currency swap[a]		**(5)**	(4)
Other interest paid – lease liabilities	4.4	**(17)**	(16)
Borrowing facility fees paid		**–**	(2)
Interest received		**9**	9
Tax paid		**(18)**	(3)
Net cash from operating activities		**386**	248
Investing activities			
Acquisition of 3Sixty Restaurants Limited	5.1	**–**	(12)
Acquisition of Pesto Restaurants Ltd	5.1	**(2)**	–
Purchases of property, plant and equipment		**(152)**	(154)
Purchases of intangible assets		**(2)**	(3)
Proceeds from sale of property, plant and equipment		**1**	3
Finance lease principal repayments received		**1**	1
Net cash used in investing activities		**(154)**	(165)
Financing activities			
Purchase of own shares	4.7	**(7)**	–
Repayment of principal in respect of securitised debt[b]	4.4	**(128)**	(121)
Principal receipts on currency swap[b]	4.4	**21**	21
Principal payments on currency swap[b]	4.4	**(16)**	(16)
Cash payments for the principal portion of lease liabilities	4.4	**(41)**	(53)
Repayment of other borrowings		**(1)**	–
Short-term financing of employee advances		**2**	–
Net cash used in financing activities		**(170)**	(169)
Net increase/(decrease) in cash and cash equivalents		**62**	(86)
Cash and cash equivalents at the beginning of the period	4.4	**103**	190
Foreign exchange movements		**(1)**	(1)
Cash and cash equivalents at the end of the period	4.4	**164**	103

a. Interest paid is split to show gross payments on the interest rate and cross currency swaps.
b. Principal repayments on securitised debt are split to show repayments relating to the cross currency swap.

The notes on pages 127 to 179 form an integral part of these consolidated financial statements.

Notes to the consolidated 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 192.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 18 to 58.

The Group is required to prepare its consolidated financial statements in accordance with UK-adopted International Financial Reporting Standards (IFRSs) and in accordance with the Companies Act 2006.

The Group's accounting reference date is 30 September. The Group draws up its consolidated 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 28 September 2024 includes 52 trading weeks and the comparative period ended 30 September 2023 includes 53 trading weeks.

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

The Group's accounting policies have been applied consistently.

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 on pages 18 to 58. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described within the Financial Review on pages 56 to 58.

Note 4.3 to the consolidated financial statements includes the Group's objectives, policies and processes for managing capital; its financial risk management objectives; details of its financial instruments and hedging activities; and, its exposures to credit and liquidity risks. As highlighted in note 4.1 to the consolidated financial statements, the Group's financing is based on securitised debt and unsecured borrowing facilities.

The Directors have adopted the going concern basis in preparing these financial statements after assessing the impact of identified principal risks and their possible adverse impact on financial performance, specifically revenue and cash flows throughout the going concern period, being 12 months from the date of signing of these financial statements.

The Group's primary source of borrowings is through nine tranches of fully amortising loan notes with a gross debt value of just under £1.2bn as at the end of the year. These are secured against the majority of the Group's property and future income streams. The principal repayment period varies by class of note with maturity dates ranging from 2028 to 2036. Within this financing structure there are two main covenants: the level of net worth (being the net asset value of the securitisation group) and, FCF to DSCR. As at 28 September 2024 there was substantial headroom on the net worth covenant. FCF to DSCR represents the multiple of Free Cash Flow (being EBITDA less tax and required capital maintenance expenditure) generated by sites within the structure to the cost of debt service (being the repayment of principal, net interest charges and associated fees). This is tested quarterly on both a trailing two quarter and a four quarter basis.

The Group also has a committed unsecured credit facility of £200m, with a negative pledge in favour of participating banks and an expiry date in July 2026. At the balance sheet date there were no drawings under this facility. This facility has two main financial covenants, based on the performance of the unsecured estate: the ratio of EBITDAR to rent plus interest (at a minimum of 1.25 times) and Net Debt to EBITDA (to be no more than 3.0 times), both tested on a half-yearly basis (for the prior four quarters).

In the year ahead the main uncertainties facing the Group are considered to be the maintenance of sales growth in the face of pressure on consumer spending power, and the rate of cost inflation. The outlook for these is uncertain and will depend on a number of factors including consumer confidence, global political developments, supply chain disruptions and government policies.

The Directors have reviewed the financing arrangements against a base case forward trading forecast in which they have considered the Group's current financial position. This forecast assumes mid single digit growth in sales across the year. Cost inflation is assumed to remain at broadly similar levels to the previous financial period with the marked exception of energy costs, which are assumed to be stable with no further deflation from recent historic peaks, and labour costs, which include provision for increased levels of Employers National Insurance contributions from April 2025. As a result, an overall net increase of approximately five percent across the cost base of the business of approximately £2bn is expected. Under this base case the Group is able to stay within securitisation and committed facility financial covenants and maintains sufficient liquidity.

The Directors have also considered a severe but plausible downside scenario covering adverse movements against the base forward forecast in both sales and cost inflation in which some mitigation activity is taken including lower capital expenditure on site remodel activity and a flex down of labour and site costs in line with reduced sales. In this scenario sales are assumed to remain marginally in growth but at three percent below the base case forecast. Unmitigated cost inflation is also higher in the areas of food and energy. In this downside scenario the Group is again able to stay within securitisation and committed facility financial covenants, whilst maintaining sufficient liquidity.

Furthermore, the Directors have considered a reverse stress test analysis, to review the headroom below which trading could fall beyond the downside scenario before the earlier of financial covenants becoming breached, or available liquidity becoming insufficient. This analysis indicates that on consistent cost assumptions, sales would be able to fall by approximately 5% beyond the downside case throughout the assessment period before financial covenants were breached, when tested at Q4 FY 2025 being the last full testing period within the 12 month going concern assessment period. In this scenario the Group would still have sufficient available liquidity.

After due consideration of these factors, the Directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

A review of longer-term viability is provided on page 53 which assesses the Group's ability to continue in operation and to meet its liabilities as they fall due over a longer, three year period.

Notes to the consolidated financial statements continued

Section 1 – Basis of preparation continued

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).

Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at the previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of the subsidiaries acquired or disposed of during the period are included in the Group income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same financial reporting period as the Company, with the exception of Pesto Restaurants Ltd which is prepared to 29 September 2024 (see note 5.3). Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

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 Group 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 Group 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 = €1.15 (2023 £1 = €1.16), 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 = €1.20 (2023 £1 = €1.15) and £1 = $1.34 (2023 £1 = $1.22) respectively.

New and amended IFRS Standards that are effective for the current period

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 consolidated financial statements for the first time with no material impact.

Accounting standard	Effective date
Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	1 January 2023
Amendments to IAS 8 (Definition of Accounting Estimates)	1 January 2023
Amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023

New and revised IFRS Standards in issue but not yet effective

The IASB, IFRIC and the International Sustainability Standards Board (ISSB) 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
Amendments to IFRS 16 Leases (Lease Liability in a Sale and Leaseback)	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements (Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants)	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments (Disclosures – Supplier Finance Arrangements)	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2 Climate-related Disclosures	1 January 2024
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)	1 January 2025
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (Amendments to the Classification and Measurement of Financial Instruments)	1 January 2026
Annual Improvements to IFRS Accounting Standards – Amendments to: • *IFRS 1 First-time Adoption of International Financial Reporting Standards;* • *IFRS 7 Financial Instruments: Disclosures and it's accompanying Guidance on implementing IFRS 7;* • *IFRS 9 Financial Instruments;* • *IFRS 10 Consolidated Financial Statements; and* • *IAS 7 Statement of Cash flows*	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027

The Directors do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements in future periods. With respect to IFRS 18, the Group is still assessing the potential impact of this standard on presentation and disclosures.

Critical accounting judgements and key sources of estimation uncertainty

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

Estimates and judgements are periodically 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.

Judgements and estimates for the period remain largely unchanged from the prior period, with the additional area of judgement around the recognition of pension surplus (see note 4.5).

Significant accounting estimates:

The significant accounting estimate with a significant risk of a material change to the carrying value of assets and liabilities within the next year in terms of IAS 1 Presentation of Financial Statements, is:

- Fair value of freehold and long leasehold properties – see note 3.1

Other areas of judgement are described in each section listed below:

- Determination of items that are separately disclosed – see note 2.2
- Impairment review of short leasehold properties and right-of-use assets – see note 3.3
- Recognition of pension surplus – see note 4.5

Other sources of estimation uncertainty are described in:

- Impairment review of short leasehold properties and right-of-use assets – see note 3.3

Notes to the consolidated financial statements continued

Section 2 – Results for the period

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 Group trades in one business segment (that of operating pubs and restaurants) and the Group's brands meet the aggregation criteria set out in Paragraph 12 of IFRS 8. Economic indicators assessed in determining that the aggregated operating segments share similar economic characteristics include: expected future financial performance; operating and competitive risks; and return on invested capital. As such, the Group reports the business as one reportable business segment.

The CODM uses EBITDA and operating profit before interest and separately disclosed items as the key measures of the Group's results on an aggregated basis.

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.

Geographical segments

	UK		Germany		Total	
	2024 52 weeks £m	2023 53 weeks £m	**2024 52 weeks £m**	2023 53 weeks £m	**2024 52 weeks £m**	2023 53 weeks £m
Revenue – sales to third parties	**2,493**	2,387	**117**	116	**2,610**	2,503
Segment non-current assets[a]	**4,706**	4,442	**51**	46	**4,757**	4,488

a. Includes balances relating to intangibles, property, plant and equipment, right-of-use assets, finance lease receivables and non-current other receivables.

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. Adjusted profit measures are presented excluding separately disclosed items as we believe this provides management, investors and other stakeholders with useful additional information about the Group's performance and supports a more effective comparison of the Group's trading performance from one period to the next. Adjusted profit and earnings per share information is used by management to monitor business performance against both shorter-term budgets and forecasts but also against the Group's longer-term strategic plans.

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

Separately disclosed items are those which are separately identified by virtue of their size or incidence.

Accounting judgements

Judgement is used to determine those items which should be separately disclosed to allow an 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:

- A refund in relation to the settlement of a long-standing claim with HMRC regarding gaming duty was separately disclosed in prior periods due to its size on initial recognition.
- 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 and volatility of the movement in property valuation each period, which can be partly driven by movements in the property market and discount rate where impairment reviews are completed. This movement is also not considered to be part of the adjusted trade performance of the Group and would prevent comparability between periods of the Group's trading performance if not separately disclosed.
- Costs associated with acquisitions – all costs directly associated with acquisition of subsidiaries, including in the prior period fair value adjustment to the associate carrying value and settlement of pre-existing lease contracts, within the Group are reported separately due to the nature of the transaction as they are not considered to be part of the adjusted trade performance of the Group.

The items identified in the current period are as follows:

	Notes	**2024 52 weeks £m**	2023 53 weeks £m
Separately disclosed items			
Gaming machine settlement	a	**–**	(1)
Fair value adjustment to investment in 3Sixty Restaurants Limited	b	**–**	5
Settlement of pre-existing lease contracts on acquisition of 3Sixty Restaurants Limited	c	**–**	(3)
Costs associated with the acquisition of 3Sixty Restaurants Limited	d	**–**	(1)
Total separately disclosed items recognised within operating costs		**–**	–
Net profit arising on property disposals		**2**	3
Movement in the valuation of the property portfolio:			
– Impairment credit/(charge) arising from the revaluation of freehold and long leasehold properties	e	**4**	(110)
– Net impairment of short leasehold and unlicensed properties	f	**–**	(6)
– Net impairment of right-of-use assets	g	**(17)**	(14)
– Net impairment of computer software	h	**(1)**	–
– Net impairment of goodwill	i	**–**	(1)
Net movement in the valuation of the property portfolio		**(14)**	(131)
Total separately disclosed items before tax		**(12)**	(128)
Tax credit relating to above items		**4**	28
Total separately disclosed items after tax		**(8)**	(100)

a. During prior periods £19m was received from HMRC, relating to VAT on gaming machine income for the period 2005 to 2012, including interest. An estimate of £20m for the amount receivable was recognised in the 52 weeks ended 25 September 2021 as a separately disclosed item. As a result, the shortfall of £1m was recognised in the prior period.
b. During the prior period, on 18 June 2023 the Group acquired the remaining 60% of share capital of 3Sixty Restaurants Limited, after having a 40% interest since April 2018. As a result of this acquisition achieved in stages, the Group has applied the principles of IFRS 3 and remeasured the 40% interest to fair value at acquisition (see note 5.1 for further details).
c. As a result of the acquisition of 3Sixty Restaurants Limited in the prior period, a loss was recognised at acquisition for the settlement of pre-existing lease contracts, due to the terms of the contracts being below market terms (see note 5.1 for further details).
d. Relates to integration costs, restructuring costs and legal and professional fees incurred in the prior period acquisition of 3Sixty Restaurants Limited.
e. The impairment arising from the Group's revaluation of its freehold and long leasehold pub estate comprises an impairment charge, where the carrying values of the properties exceed their recoverable amount, net of a revaluation surplus that reverses past impairments. See note 3.1 for further details.
f. Impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amounts, net of reversals of past impairments. See note 3.3 for further details.
g. Impairment of right-of-use assets where their carrying values exceed their recoverable amounts, net of reversals of past impairments. See note 3.3 for further details.
h. Impairment of computer software where the carrying value exceeds the recoverable amount. See note 3.3 for further details.
i. Impairment of goodwill where the carrying value exceeds the recoverable amount. See note 3.3 for further details.

2.3 Revenue and operating costs

Accounting policies

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue – food and drink

The majority of revenue comprises food and drinks sold in the Group's outlets. Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the outlet or on ordering through a delivery partner. Payment of the transaction price is due immediately at the point the customer makes a purchase at the outlet, or on agreed terms where purchases are made through third-party delivery partners. Revenue excludes sales-based taxes, and is net of any coupons and discounts.

Revenue – services

Revenue for services mainly represents income from gaming machines, hotel accommodation and rent receivable from unlicensed and leased operations. Revenue for gaming machines and hotel accommodation is recognised at the point the service is provided and excludes sales-based taxes and discounts.

Rental income is received from operating leases where the Group acts as lessor for a number of unlicensed and leased operations. Income from these leases is recognised on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements continued

Section 2 – Results for the period continued

2.3 Revenue and operating costs continued

Accounting policies continued

Operating profit

Operating profit is stated after charging separately disclosed 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the income statement on a systematic basis over the periods in which the Group recognises as expenses the related operating costs for which the grants are intended to compensate.

Apprenticeship incentives

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

Government grants

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

Government grant scheme	Income statement line impact	2024 52 weeks £m	2023 53 weeks £m
Apprenticeship incentives	Revenue – other	–	1
Total Government grants received		–	1

Revenue

Revenue is analysed as follows:

	2024 52 weeks £m	2023 53 weeks £m
Food	**1,385**	1,323
Drink	**1,132**	1,092
Services	**93**	87
Other – Apprenticeship incentives	**–**	1
	2,610	2,503

Revenue from services includes rent receivable from unlicensed properties and leased operations of £9m (2023 £9m).

Food and drink revenue includes £18m in respect of gift card redemptions, which was recorded within deferred income at the prior period end.

Operating costs

Operating costs are analysed as follows:

	2024 52 weeks £m	2023 53 weeks £m
Raw materials and food and drink consumables recognised as an expense[a]	**670**	673
Changes in inventory of finished goods and work in progress	**(2)**	(2)
Employee costs	**946**	878
Hire of plant and machinery	**23**	23
Property operating lease costs[b]	**11**	8
Utility costs	**107**	161
Business rates	**77**	86
Other pub costs	**271**	257
Other central costs	**65**	61
Operating costs before depreciation and amortisation	**2,168**	2,145
Net profit arising on property disposals	**(2)**	(3)
Depreciation of property, plant and equipment (note 3.1)	**92**	93
Depreciation of right-of-use assets (note 3.2)	**34**	36
Amortisation of intangible assets (note 3.6)	**4**	4
Net movement in the valuation of the property portfolio (note 2.2)	**14**	131
Depreciation, amortisation and movements in the valuation of the property portfolio	**144**	264
Total operating costs	**2,310**	2,406

a. Supplier incentives are included as a reduction to the raw materials and consumables expense. These are not disclosed separately as the value is immaterial.
b. Property operating lease costs include service charge, insurance and turnover rents.

Employee costs

	2024 52 weeks £m	2023 53 weeks £m
Wages and salaries	**852**	795
Share-based payments (note 4.6)	**7**	5
Social security costs	**68**	61
Pensions (note 4.5)	**19**	17
Total employee costs	**946**	878

The four-weekly average number of employees including part-time employees was 49,249 retail employees (2023 48,003) and 1,206 support employees (2023 1,147).

Information regarding key management personnel is included in note 5.2. 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 in the information labelled as audited by KPMG on pages 92 to 112.

Notes to the consolidated financial statements continued

Section 2 – Results for the period continued

2.3 Revenue and operating costs continued

Auditor remuneration

	2024 52 weeks £m	2023 53 weeks £m
Fees payable to the Group's auditor for the:		
– audit of the consolidated financial statements	**0.4**	0.3
– audit of the Company's subsidiaries' financial statements	**0.6**	0.6
Total audit fees[a]	**1.0**	0.9
Total fees	**1.0**	0.9

a. Auditor's remuneration of £0.9m (2023 £0.8m) was paid in the UK and £0.1m (2023 £0.1m) was paid in Germany.

Non-audit fees payable to the Group's auditor in the current period totalled £10k (2023 £6k).

2.4 Taxation

Accounting policies

The income tax (charge)/credit represents both the income tax payable, based on profits/(losses) 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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised based on tax laws and rates that have been substantively enacted at the balance sheet date. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Taxation – Group income statement

	2024 52 weeks £m	2023 53 weeks £m
Current tax:		
– Corporation tax	**(16)**	(5)
Total current tax charge	**(16)**	(5)
Deferred tax:		
– Origination and reversal of temporary differences	**(33)**	11
– Effect of changes in UK tax rate	**–**	3
– Amounts under-provided in prior periods	**(1)**	–
Total deferred tax (charge)/credit	**(34)**	14
Total tax (charge)/credit in the Group income statement	**(50)**	9
Further analysed as tax relating to:		
Profit before separately disclosed items	**(54)**	(19)
Separately disclosed items	**4**	28
Total tax (charge)/credit in the Group income statement	**(50)**	9

The standard rate of corporation tax applied to the reported profit/(loss) is 25.0% (2023 22.0%).

The tax charge (2023 credit) in the Group income statement for the period is in line with (2023 higher than) the standard rate of corporation tax in the UK. The differences are reconciled below:

	2024 52 weeks £m	2023 53 weeks £m
Profit/(loss) before tax	**199**	(13)
Taxation (charge)/credit at the UK standard rate of corporation tax of 25.0% (2023 22.0%)	**(50)**	3
Expenses not deductible	**(3)**	(1)
Permanent benefits	**4**	5
Tax credit in respect of change in UK tax rate	**–**	3
Effect of different tax rates of subsidiaries in other jurisdictions	**–**	(1)
Adjustments in respect of prior periods	**(1)**	–
Total tax (charge)/credit in the Group income statement	**(50)**	9

Taxation for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

	2024 52 weeks £m	2023 53 weeks £m
Deferred tax in the Group income statement:		
Accelerated capital allowances	**(14)**	(14)
Unrealised losses on revaluations	**–**	28
Tax losses – UK	**(15)**	–
Tax losses – Interest Restriction	**(7)**	–
Retirement benefit obligations	**1**	–
Share-based payments	**1**	–
Total deferred tax (charge)/credit in the Group income statement	**(34)**	14

Notes to the consolidated financial statements continued

Section 2 – Results for the period continued

2.4 Taxation continued

Taxation – other comprehensive income

	2024 52 weeks £m	2023 53 weeks £m
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
– Unrealised (gains)/losses due to revaluations – revaluation reserve	**(74)**	18
– Unrealised gains due to revaluations – retained earnings	**–**	(4)
– Remeasurement of pension liability	**(42)**	(9)
	(116)	5
Items that may be reclassified subsequently to profit or loss:		
– Cash flow hedges	**6**	(5)
Total tax charge recognised in other comprehensive income	**(110)**	–

Tax relating to items recognised directly in equity

	2024 52 weeks £m	2023 53 weeks £m
Deferred tax:		
– Tax credit related to share-based payments	**1**	–

Taxation – Group balance sheet

The deferred tax assets and liabilities recognised in the Group balance sheet are shown below:

	2024 £m	2023 £m
Deferred tax assets:		
Retirement benefit obligation (note 4.5)	**–**	5
Derivative financial instruments	**8**	3
Tax losses – UK	**28**	43
Share-based payments	**4**	2
Right-of-use assets	**6**	6
Tax losses – Interest restriction	**6**	13
Total deferred tax assets	**52**	72
Deferred tax liabilities:		
Accelerated capital allowances	**(86)**	(72)
Rolled over and held over gains	**(164)**	(164)
Unrealised gains on revaluations	**(251)**	(176)
Depreciated non-qualifying assets	**(4)**	(4)
Retirement benefit obligation (note 4.5)	**(35)**	–
Total deferred tax liabilities	**(540)**	(416)
Total	**(488)**	(344)

At 28 September 2024, the Group has netted off deferred tax assets of £49m (2023 £68m) with deferred tax liabilities where there is a legally enforceable right to settle on a net basis. Deferred tax assets and liabilities have been offset and disclosed in the Group balance sheet as follows:

	2024 £m	2023 £m
Deferred tax assets (after offsetting)	**3**	4
Deferred tax liabilities (after offsetting)	**(491)**	(348)
Net deferred tax liability	**(488)**	(344)

Unrecognised tax allowances

At the balance sheet date the Group had unrecognised tax allowances of £81m in respect of unclaimed capital allowances (2023 £90m) available for offset against future profits.

A deferred tax asset has not been recognised on tax allowances with a value of £20m (2023 £22m) 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 Group is within the scope of the OECD Pillar Two (Global Minimum Tax) model rules. The legislation has been substantively enacted in the UK and Germany, being the jurisdictions in which the Group operates. The rules will be effective for the Group from the accounting period commencing 29 September 2024. Initial assessments indicate that Pillar Two income taxes will not be material to the Group, with the effective tax rate in the UK and Germany both exceeding the 15% global minimum tax rate by some margin. The Group will continue to work on evaluating the final impact of both the calculations and the reporting requirements through FY 2025.

For the year to 28 September 2024, the Group has applied the IAS 12 mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

2.5 Earnings/(loss) per share

Basic earnings per share (EPS) has been calculated by dividing the profit 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 separately disclosed items (see note 2.2) in order to allow an understanding of the adjusted trading performance of the Group.

The profits used for the earnings per share calculations are as follows:

	2024 52 weeks £m	2023 53 weeks £m
Profit/(loss) for the period	**149**	(4)
Separately disclosed items, net of tax	**8**	100
Adjusted profit for the period[a]	**157**	96

a. Adjusted profit and adjusted EPS are alternative performance measures (APMs) and are considered critical to aid understanding of the Group's performance. These measures are explained on pages 186 to 189 of this report.

The number of shares used for the earnings per share calculations are as follows:

	2024 52 weeks million	2023 53 weeks million
Basic weighted average number of ordinary shares	**595**	595
Effect of dilutive potential ordinary shares:		
– Contingently issuable shares	**5**	–
Diluted weighted average number of shares	**600**	595

	2024 52 weeks pence	2023 53 weeks pence
Basic earnings/(loss) per share		
Basic earnings/(loss) per share	**25.0p**	(0.7p)
Separately disclosed items net of tax per share	**1.4p**	16.8p
Adjusted basic earnings per share[a]	**26.4p**	16.1p
Diluted earnings/(loss) per share		
Diluted earnings/(loss) per share	**24.8 p**	(0.7) p
Adjusted diluted earnings per share[a]	**26.2 p**	16.1 p

a. Adjusted profit and adjusted EPS are alternative performance measures (APMs) and are considered critical to aid understanding of the Group's performance. These measures are explained on pages 186 to 189 of this report.

At 28 September 2024, 1,486,595 (2023 7,323,559) 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.

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities

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, and the associated landlord's fixtures, fittings and equipment (i.e. fixed fittings) are revalued annually and are therefore held at fair value less depreciation. Tenant's fixtures and fittings (i.e. loose fixtures) within freehold and long leasehold properties, are held at cost less depreciation and impairment.

Short leasehold buildings (leases with an unexpired lease term of less than 50 years), unlicensed land and buildings and associated fixtures, fittings and equipment are held at cost less depreciation and impairment.

Land and buildings include leasehold improvements on long and short leases. 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 period and adjusted if appropriate. No adjustments have been made in the period.

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 period 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 and fittings, 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, performed at 28 September 2024, is determined via annual third-party inspection of 20% of the sites with the aim that all sites are individually valued approximately every five years. The valuation utilises estimates of fair maintainable trade (FMT) and valuation multiples. The revaluation determined by the annual inspection was carried out in accordance with the RICS Valuation – Global Standards 2022 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK (the 'Red Book') assuming each asset is sold as a fully operational trading entity.

Properties are valued as fully operational entities, to include fixtures and fittings but excluding stock, tenant's fixtures and fittings and personal goodwill.

The 80% of the freehold and long leasehold estate which is not subject to a third-party valuation in the period is instead revalued internally by management. The Group's external valuer provides advice to management in relation to their internal valuation. This valuation is performed using estimates of FMT, together with the same valuation multiples as those applied by the external valuer. Sites impacted by expansionary capital investment in the preceding twelve months are reviewed for impairment only, based on estimated annualised post-investment FMT against the carrying value of the asset. Where the value of land and buildings derived purely from a multiple applied to the FMT misrepresents the underlying asset value, a spot valuation is applied.

Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation deficit 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 the income statement. 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 leaseholds, unlicensed properties and fixtures and fittings are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Further details of the impairment policy are provided in the impairment note 3.3.

Accounting judgements

Revaluation of freehold and long leasehold properties

The revaluation methodology is determined, with advice from CBRE, independent chartered surveyors, and incorporates management judgement where appropriate. The application of a valuation multiple to the FMT of each site is considered the most appropriate method for the Group to determine the fair value of freehold and long leasehold licensed land and buildings.

In the current and prior period, judgement has been applied to establish the basis of FMT that a willing third-party buyer would assume. The estimation of FMT is derived from the individual profit and loss accounts of pubs and restaurants and is inclusive of the centrally recorded trading margins earned by the Group but exclusive of certain head office costs. This represents the Group's best view of the value that would be attributed by other reasonably efficient operators. In the current period FMT reflects the reported site performance. In the prior period the prevailing reported profits were negatively impacted by high and sustained cost inflation, notably in food and energy price increases driven by the Ukraine conflict. However the inflationary pressures were not expected to fully impact on site valuations and as such, FMT was determined to include an adjustment to reported profit margins.

Where sites have been impacted by expansionary capital investment in the preceding twelve months, the FMT has been determined by estimating annualised post-investment operating profit with reference to post-investment forecasts.

For the purposes of the valuation, and in order to group together properties of a similar nature, groupings by brand are applied for which standard multiples have been established through third-party inspections of 20% of the freehold and long leasehold licensed property estate. Judgements are applied in assessing multiples on the basis of market evidence of transaction prices and nature of the overall offer within the local market, with specific consideration given to geographical location, ancillary revenue such as accommodation sales from bedrooms and lease terms for long leasehold sites.

Further judgement is required when a spot valuation is applied where the property value derived purely from a multiple applied to the FMT misrepresents the underlying asset value with consideration given to the level of trade and location characteristics.

Significant accounting estimates

Revaluation of freehold and long leasehold properties

The application of the valuation methodology requires two significant estimates: the estimation of valuation multiples, which are determined via third-party inspections; and an estimate of FMT.

In the prior period adjustments were made to pub and restaurant trading margins to reflect the margin impacts of cost inflation which were expected to persist into the level of FMT used by third-party, reasonably efficient operators in arriving at a transaction price. The impact of inflation across drink and food, labour, energy and other pub operating costs compared to pre Covid was assessed and adjusted individually. In aggregate approximately 2.5% of the total margin reduction reported in the prior period against pre Covid trade was expected to recover in the short to medium term and was included in estimated FMT. In the current period, costs have stabilised such that the Group's external valuer now considers that the current level of reported site profitability is representative of the FMT that a third-party, reasonably efficient operator would include in arriving at a transaction price.

The estimation of valuation multiples is derived from the valuers knowledge of market evidence of transaction prices for similar properties. In the current period the multiples adopted are mostly in line with the prior period other than a slight easing for some parts of the premium end of the market.

There is considered to be a significant risk that an adjustment to either of these assumptions could lead to a material change in the property valuation within the next year.

A sensitivity analysis of changes in valuation multiples and FMT, in relation to the properties to which these estimates apply, is provided on page 148. The carrying value of properties to which these estimates apply is £4,260m (2023 £3,933m).

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities continued

3.1 Property, plant and equipment continued

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 24 September 2022	3,831	923	4,754
Acquired through business combinations (note 5.1)	26	3	29
Additions	36	115	151
Disposals[a]	(7)	(93)	(100)
Net decrease from property revaluation	(186)	–	(186)
Impairment of short leasehold properties	(1)	(5)	(6)
Exchange differences	–	(1)	(1)
At 30 September 2023	3,699	942	4,641
Acquired through business combinations (note 5.1)	7	–	7
Additions	32	131	163
Disposals[a]	(2)	(108)	(110)
Net increase from property revaluation	258	–	258
Net impairment of short leasehold properties	3	(3)	–
Exchange differences	(1)	(1)	(2)
At 28 September 2024	**3,996**	**961**	**4,957**
Accumulated depreciation			
At 24 September 2022	80	480	560
Provided during the period	5	88	93
Disposals[a]	(5)	(92)	(97)
Exchange differences	–	(1)	(1)
At 30 September 2023	80	475	555
Provided during the period	4	88	92
Disposals[a]	(2)	(106)	(108)
Exchange differences	–	(1)	(1)
At 28 September 2024	**82**	**456**	**538**
Net book value			
At 28 September 2024	**3,914**	**505**	**4,419**
At 30 September 2023	3,619	467	4,086
At 24 September 2022	3,751	443	4,194

a. Includes assets which are fully depreciated and have been removed from the fixed asset register.

Land and buildings include leasehold improvements on long and short leases with a net book value of £314m (2023 £294m).

Certain assets with a net book value of £44m (2023 £39m) owned by the Group are subject to a fixed charge in respect of liabilities held by the Mitchells & Butlers Executive Top-Up Scheme (MABETUS).

Included within property, plant and equipment are assets with a net book value of £3,697m (2023 £3,446m), which are pledged as security for the securitisation debt and over which there are certain restrictions on title. Further details of the securitisation are provided in note 4.1.

Cost at 28 September 2024 includes £14m (2023 £16m) of assets in the course of construction.

Revaluation of freehold and long leasehold properties

The fair value has been determined by estimations of FMT and brand valuation multiples. In the current period, FMT is reflective of reported profits. Consideration has been given to location, quality of the pub restaurant and recent market transactions in the sector in assessing property multiples and multiples have been reduced in some areas to reflect a softening of demand at the top end of the market. In the prior period adjustments were made to reported site profits in assessing FMT, to reflect trading margin impacts of cost inflation pressures present at the time and considered by prospective third-party market participants to not be reflective of passing transaction prices. The cost inflation pressures were most notably on food, labour, energy and other pub operating costs.

Sensitivity analysis

Changes in the FMT, or the multiple could materially impact the valuation of the freehold and long leasehold properties, and as such they are both considered to be significant estimates in the current period.

FMT

In the current period, FMT has increased by 6% over the prior period's adjusted FMT, excluding the sites with investment in the current period which are only assessed for impairment. Given trading has now normalised following the disruption caused by the Covid pandemic in 2020, and there is a more stable inflationary environment, a return to pre Covid FMT movements is considered to be within range of reasonably possible outcomes. Over the three years reported prior to Covid the average movement in the FMT of the revalued estate was 1%. Assuming multiples remain stable, it is estimated that a 1% reduction in the FMT would generate an approximate £37m reduction in the valuation. A 1% increase in the FMT is estimated to generate an approximate £36m increase in the valuation. The sensitivity does not apply to sites with spot valuations as these valuations are independent of reported operating profits. Any change to the spot valuations would not be material.

Multiples

Valuation multiples are determined at an individual brand level. Over the last three financial periods, the weighted average brand multiple has moved by an average of 0.1, which is considered to be within the range of reasonably possible outcomes for future movements in multiples. It is estimated that a 0.1 reduction in the multiple would generate an approximate £42m reduction in the valuation. A 0.1 increase to the multiple is estimated to generate an approximate £41m increase in the valuation.

Impairment review

Short leasehold and unlicensed properties (comprising land, buildings, fixtures, fittings and equipment) which are not revalued to fair market value, are reviewed for impairment as described in the impairment note 3.3. A net impairment of £nil (2023 £6m) has been recognised against short leasehold and unlicensed properties in the period.

Revaluation and impairment recognised

Current period valuations have been incorporated into the consolidated financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or Group income statement as appropriate.

The impact of the revaluations/impairments described above is as follows:

	2024 52 weeks £m	2023 53 weeks £m
Group income statement		
Revaluation deficit charged as an impairment	**(120)**	(162)
Reversal of past revaluation deficits	**124**	52
Total impairment reversal/(charge) arising from the revaluation	**4**	(110)
Impairment of short leasehold and unlicensed properties (note 3.3)	**(7)**	(11)
Reversal of past impairments of short leasehold and unlicensed properties (note 3.3)	**7**	5
Net impairment of short leaseholds and unlicensed properties	**–**	(6)
Total impairment reversal/(charge) recognised in the income statement	**4**	(116)
Group statement of other comprehensive income		
Unrealised revaluation surplus	**356**	162
Reversal of past revaluation surplus	**(102)**	(238)
Total movement recognised in other comprehensive income	**254**	(76)
Net increase/(decrease) in property, plant and equipment	**258**	(192)

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.

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities continued

3.1 Property, plant and equipment continued

The number of pubs included in the revaluation and the resulting valuation of these properties is reconciled to the total value of property, plant and equipment below.

	Number of pubs	Land and buildings £m	Fixtures, fittings and equipment £m	Net book value[a] £m
28 September 2024				
Freehold properties	**1,336**	**3,572**	**399**	**3,971**
Long leasehold properties	**92**	**257**	**32**	**289**
Total revalued properties	**1,428**	**3,829**	**431**	**4,260**
Short leasehold properties		**65**	**57**	**122**
Unlicensed properties		**15**	**2**	**17**
Other non-pub assets		**1**	**5**	**6**
Assets under construction		**4**	**10**	**14**
Total property, plant and equipment		**3,914**	**505**	**4,419**

	Number of pubs	Land and buildings £m	Fixtures, fittings and equipment £m	Net book value[a] £m
30 September 2023				
Freehold properties	1,330	3,298	368	3,666
Long leasehold properties	94	236	31	267
Total revalued properties	1,424	3,534	399	3,933
Short leasehold properties		58	55	113
Unlicensed properties		16	2	18
Other non-pub assets		1	5	6
Assets under construction		10	6	16
Total property, plant and equipment		3,619	467	4,086

a. The carrying value of freehold and long leasehold properties based on their historical cost is £2,581m and £180m respectively (2023 £2,503m and £171m).

The tables below show, for revalued properties, the number of pubs that have been valued within each fair maintainable trade and multiple banding:

	Valuation multiple applied to fair maintainable trade					
	Over 10 times	**9 to 10 times**	**8 to 9 times**	**7 to 8 times**	**Under 7 times**	**Total**
28 September 2024						
Number of pubs in each fair maintainable trade banding:						
< £200k p.a.	**129**	**52**	**141**	**139**	**22**	**483**
£200k to £360k p.a.	**12**	**87**	**163**	**76**	**29**	**367**
> £360k p.a.	**53**	**126**	**265**	**78**	**56**	**578**
	194	**265**	**569**	**293**	**107**	**1,428**

	Valuation multiple applied to fair maintainable trade					
	Over 10 times	9 to 10 times	8 to 9 times	7 to 8 times	Under 7 times	Total
30 September 2023						
Number of pubs in each fair maintainable trade banding:						
< £200k p.a.	83	42	174	179	17	495
£200k to £360k p.a.	10	116	205	80	14	425
> £360k p.a.	53	112	264	51	24	504
	146	270	643	310	55	1,424

Movements in valuation multiples between financial periods are the result of changes in property market conditions. The average weighted multiple is 8.7 (2023 8.7).

Capital commitments

	2024 £m	2023 £m
Contracts placed for expenditure on property, plant and equipment not provided for in the consolidated financial statements	**18**	12

3.2 Leases

Leases – Group as lessee

Accounting policies

The Group assesses whether a contract is or contains a lease, at inception of the contract.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less), leases containing variable lease payment terms that are linked to the revenue generated from leased pubs and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the future lease payments unpaid at the lease commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable; and
- Lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a break option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, adjusted for any advance payments made at or before lease commencement, less any lease incentives received and any initial direct costs (including lease premiums).

Whenever the Group incurs an obligation to restore the underlying asset to the condition required by the terms and conditions of the lease, a dilapidations provision is recognised and measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the remaining committed lease term on a straight-line basis. Right-of-use assets are tested annually for impairment in accordance with IAS 36 Impairment of Assets.

Right-of-use assets are subsequently remeasured for any changes in lease term and future committed rental payments.

For short-term leases (lease term of twelve months or less), and leases of low-value assets (such as personal computers and office furniture), the Group recognises a lease expense on a straight-line basis, directly in the income statement, as permitted by IFRS 16.

Impairment of right-of-use assets

Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets, as described in the policy in the impairment note 3.3.

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities continued

3.2 Leases continued

Right-of-use assets

Right-of-use assets can be analysed as follows:

	Land and buildings £m	Cars £m	Total £m
Cost			
At 24 September 2022	568	6	574
Acquired through business combinations (note 5.1)	6	–	6
Additions[a]	32	4	36
Disposals	(12)	–	(12)
Foreign currency movements	(2)	–	(2)
At 30 September 2023	592	10	602
Acquired through business combinations (note 5.1)	7	–	7
Additions[a]	26	4	30
Disposals	(15)	(2)	(17)
Foreign currency movements	(2)	–	(2)
At 28 September 2024	**608**	**12**	**620**
Accumulated depreciation and impairment			
At 24 September 2022	232	3	235
Provided during the period	35	1	36
Disposals	(10)	–	(10)
Impairment	14	–	14
At 30 September 2023	271	4	275
Provided during the period	32	2	34
Disposals	(10)	(2)	(12)
Impairment	17	–	17
Foreign currency movements	(1)	–	(1)
At 28 September 2024	**309**	**4**	**313**
Net book value			
At 28 September 2024	**299**	**8**	**307**
At 30 September 2023	321	6	327
At 24 September 2022	336	3	339

a. Additions to right-of-use assets include new leases, increases in dilapidation provisions and lease extensions or rent reviews relating to existing leases.

Some of the property leases in which the Group is lessee contain variable lease payment terms that are linked to the revenue generated from the leased pubs. Variable payment terms are used in contracts to link rental payments to pub cash flows and reduce fixed costs. The total value of variable lease payments charged to the income statement in the current period is £3m (2023 £2m).

Impairment review of right-of-use assets

Right-of-use assets are reviewed for impairment by comparing site recoverable amounts to their carrying values. Impairment is considered at a cash-generating unit level. A net impairment of £17m (2023 £14m) has been recognised against right-of-use assets in the period. Details of the impairment review at a cash-generating unit level are disclosed in note 3.3.

Lease liabilities

A maturity analysis of the undiscounted future lease payments used to calculate the lease liabilities is shown below.

	2024 £m	2023 £m
Amounts payable under lease liabilities		
Due within one year	**50**	49
Due between one and two years	**50**	52
Due between two and three years	**46**	51
Due between three and four years	**49**	42
Due between four and five years	**40**	47
Due between five and ten years	**166**	160
Due between ten and fifteen years	**103**	115
Due between fifteen and twenty years	**56**	66
Due between twenty and twenty five years	**16**	18
Due between twenty five and thirty years	**11**	11
Due after thirty years	**78**	79
Total undiscounted lease liabilities	**665**	690
Less: impact of discounting	**(218)**	(227)
Present value of lease liabilities	**447**	463
Analysed as:		
Current lease liabilities – principal amounts due within twelve months	**33**	33
Non-current lease liabilities – principal amounts due after twelve months	**414**	430
	447	463

Leases – Group as lessor

Accounting policy

The Group enters into lease agreements as a lessor with respect to some of its properties. The properties are operated as either licensed or unlicensed businesses by the tenants.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities continued

3.2 Leases continued

Group as lessor – Finance lease receivables

A maturity analysis of the undiscounted future lease payments receivable used to calculate the finance lease receivable is shown below.

	2024 £m	2023 £m
Amounts receivable under finance leases		
Due within one year	**1**	1
Due between one and two years	**1**	1
Due between two and three years	**1**	1
Due between three and four years	**1**	1
Due between four and five years	**1**	2
Due after five years	**9**	9
Total undiscounted lease payments receivable	**14**	15
Less: unearned finance income	**(2)**	(3)
Present value of lease payments receivable	**12**	12
Net investment in the leases is analysed as:		
Current finance lease receivables – amounts due within 12 months	**1**	1
Non-current finance lease receivables – amounts due after 12 months	**11**	11
	12	12

The Directors of the Group estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime expected credit loss (ECL). None of the finance lease receivables at the end of the reporting period is past due. The Directors of the Group have recognised a finance lease receivable impairment of £nil in the current period (2023 £nil).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the impairment for finance lease receivables.

Group as lessor – Operating leases

The Group leases a small proportion of its licensed and 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:

	2024 £m	2023 £m
Due within one year	**7**	10
Due between one and two years	**6**	9
Due between two and three years	**5**	8
Due between three and four years	**4**	7
Due between four and five years	**4**	6
Due after five years	**18**	35
	44	75

The total value of future minimum sub-lease rental receipts included above is £2m (2023 £4m).

3.3 Impairment

Accounting policies

Impairment – Property, plant and equipment, right-of-use assets, computer software and goodwill

As described in the property, plant and equipment policy (note 3.1), the lease accounting policy (note 3.2) and the goodwill policy (note 3.6), impairment reviews are considered at a cash-generating unit level, with this being an individual outlet.

The carrying value of assets for an individual outlet comprise the property, plant and equipment value, the associated right-of-use asset and any attributable goodwill, together with an allocation of central asset values (property, plant and equipment, right-of-use asset and computer software). At each balance sheet date, the Group assesses whether there is any indication that the carrying value of assets for individual outlets may be impaired. If any such impairment indicator exists then an impairment loss is recognised whenever the carrying value of the outlet exceeds its recoverable amount, which is determined as the higher of the value in use, or fair value less costs to sell for each outlet. Any resulting impairment relates to sites with poor trading performance, where the output of the value in use calculations are insufficient to justify their current net book value. Changes in outlet earnings or cash flows, the discount rate applied to those cash flows, or the estimate of fair value less costs of disposal 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 in the income statement. An impairment reversal is only recognised where there is a change in circumstances or favourable events since the last impairment test impacting estimates used to determine recoverable amounts, not where it results from the passage of time.

Accounting judgements

Impairment review of cash-generating units – property, plant and equipment, right-of-use assets, computer software and goodwill

For the individual outlet level impairment review, judgement has been applied to determine the most appropriate site level profit and cash flow forecasts based on the Group forecast for FY 2025 to FY 2027 that was in place at the balance sheet date.

Management apply judgement when allocating overhead costs to site cash flows, with an overhead allocation being made only for those costs that can be directly attributable to a site on a consistent basis. Judgement is applied in the allocation of corporate level assets to individual cash-generating units, based on relative profitability.

Other sources of estimation uncertainty

Impairment review of cash-generating units – property, plant and equipment, right-of-use assets, computer software and goodwill

The impairment review requires two key sources of estimation uncertainty in calculating the value in use: the estimation of forecast cash flows for each site and the selection of an appropriate discount rate. The discount rate is applied consistently to each cash-generating unit.

A sensitivity of changes in forecast cash flows and the discount rate is provided on page 148. The carrying value of assets to which these estimates apply is £442m (2023 £452m).

Impairment review of cash-generating units, comprising property, plant and equipment, right-of-use assets, computer software and goodwill

Recoverable amount is determined as the higher of the value in use, or fair value less costs to sell for each outlet.

Value in use calculations use forecast trading performance pre-tax cash flows, for years 1 to 3. These include steady increases to revenue and costs. In the short to medium term, over the three year forecast period, no allowances have been made for any potential impact activity related to climate change, other than continued maintenance and infrastructure spend on existing sustainability projects, as the impacts of this on future cash flows or capital expenditure cannot yet be reasonably estimated or allocated to cash-generating units.

The forecast cash flows are discounted by applying a pre-tax discount rate of 11.00% (2023 11.00%) and a long-term growth rate of 2.0% from year 4 (2023 2.0%). The long-term growth rate is applied to the net cash flows and is based on up-to-date economic data points.

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities continued

3.3 Impairment continued

In summary, the carrying value of the cash-generating units and impairment charges and reversals recognised against those cash-generating units is as follows:

	Note	Carrying value 2024 £m	Impairment charges 2024 £m	Impairment reversals 2024 £m	Net impairment 2024 £m
Short leasehold properties	3.1	**122**	**(7)**	**7**	**–**
Right-of-use assets	3.2	**307**	**(29)**	**12**	**(17)**
Software	3.6	**6**	**(1)**	**–**	**(1)**
Goodwill	3.6	**7**	**–**	**–**	**–**
		442	**(37)**	**19**	**(18)**

	Note	Carrying value 2023 £m	Impairment charges 2023 £m	Impairment reversals 2023 £m	Net impairment 2023 £m
Short leasehold properties	3.1	113	(11)	5	(6)
Right-of-use assets	3.2	327	(27)	13	(14)
Software	3.6	10	–	–	–
Goodwill	3.6	2	(1)	–	(1)
		452	(39)	18	(21)

Sensitivity analysis

Changes in forecast cash flows or the discount rate could impact the impairment charge recognised against the cash-generating units, and corporate level assets.

Forecast cash flows

The forecast pre-tax cash flows used in the value in use calculations are site level forecasts determined from the Group forecast for FY 2025 to FY 2027 that was in place at the balance sheet date. For short leasehold sites and freehold/long leasehold sites with ROU or goodwill assets, should future cash flows decline by 1%, this would result in an increase of £2m to the net impairment charge recognised.

Discount rate

The pre-tax discount rate applied to the forecast cash flows is derived from the Group's post-tax weighted average cost of capital (WACC). The assumptions used in the calculation of the Group's WACC are benchmarked to externally available data. A single discount rate is applied to all cash-generating units. Over recent periods, the discount rate used in impairment reviews has moved by c.1.0%. For short leasehold sites and freehold/long leasehold sites with ROU or goodwill assets, an increase of 1.0% in the discount rate would result in an increase of £7m to the net impairment charge recognised.

3.4 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.

Inventories can be analysed as follows:

	2024 £m	2023 £m
Goods held for resale	**27**	25

Trade and other receivables

Accounting policy

Trade receivables are initially recognised at transaction price and other receivables are initially recognised at fair value. Subsequently, these assets are measured at amortised cost. This results in their recognition at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an 'expected credit loss' model). The Group always measures the loss allowance for trade receivables using the simplified model at an amount equal to lifetime ECL. Loss allowance for other receivables is measured either at twelve months or lifetime ECL depending on whether the credit risk has increased significantly since initial recognition (see financial assets impairment policy in note 4.3).

Trade and other receivables can be analysed as follows:

Current

	2024 £m	2023 £m
Trade receivables	**13**	17
Other receivables	**16**	16
Prepayments	**27**	32
Other financial assets[a]	**30**	58
Defined benefit pension blocked accounts[b]	**12**	–
Total trade and other receivables	**98**	123

Non-current

	2024 £m	2023 £m
Defined benefit pension blocked accounts[b]	**–**	47

a. Other financial assets relate to cash collateral provided by a swap counterparty (see note 4.3).
b. Contributions to the MABEPP scheme have been paid into a blocked account since the scheme buy-in that took place during the year ended 24 September 2022 and are expected to be repaid following the buy-out (2023 £12m in respect of the MABEPP blocked account and £35m in respect of the MABPP blocked account, since repaid) – see note 4.5 for further details.

All trade, lease and other receivables are non-interest bearing. The Directors consider that the carrying amount of trade receivables and other receivables approximately equates to their fair value. A provision for expected credit loss of £2m (2023 £3m) has been recognised against trade and other receivables.

Credit risk is considered in note 4.3.

Trade and other payables

Accounting policy

Trade and other payables are initially recognised at fair value and recognised subsequently at amortised cost.

Trade and other payables can be analysed as follows:

Current

	2024 £m	2023 £m
Trade payables	**114**	100
Other taxation and social security	**99**	100
Accrued charges	**186**	182
Deferred income	**34**	29
Other payables	**19**	22
Other financial liabilities[a]	**30**	58
Total trade and other payables	**482**	491

Non-current

	2024 £m	2023 £m
Other payables[b]	**8**	–

a. Other financial liabilities relate to cash collateral provided by a swap counterparty (see note 4.3).
b. Non-current other payables relate to contingent consideration payable following the acquisition of Pesto Restaurants Ltd (see note 5.1).

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.

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities continued

3.5 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 net lease commitment (fixed service charges) not expected to be covered by operating revenue after all other operating costs. The provision is calculated on a site by site basis with a provision being made for the remaining committed lease term, where a lease is considered to be onerous. Other contractual dilapidations costs are also recorded as provisions as appropriate.

Provisions

The provision for unavoidable losses on onerous property leases has been set up to cover fixed service charge payments of vacant or loss-making properties.

The provision for dilapidation costs has been set up to cover the estimated future dilapidation claims from landlords on leases that are within five years of expiry.

Provisions can be analysed as follows:

	Onerous property provisions £m	Dilapidation provisions £m	Total property provisions £m
At 24 September 2022	3	6	9
Provided in the period	1	2	3
Utilised in the period	(2)	–	(2)
Released in the period	–	(1)	(1)
At 30 September 2023	2	7	9
Provided in the period	2	4	6
Utilised in the period	(2)	–	(2)
Released in the period	–	(1)	(1)
At 28 September 2024	**2**	**10**	**12**

3.6 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, 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 three years.

Brands

Brand intangible assets recognised on acquisition are amortised on a straight-line basis over their estimated useful lives (20 years) within operating costs. Brand intangibles are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the consolidated financial statements continued

Section 3 – Operating assets and liabilities continued

3.6 Goodwill and other intangible assets continued

Intangible assets

Intangible assets can be analysed as follows:

	Goodwill £m	Brands £m	Computer software £m	Total £m
Cost				
At 24 September 2022	7	–	20	27
Acquired through business combinations (note 5.1)	1	5	–	6
Additions	–	–	4	4
Disposals	–	–	(6)	(6)
At 30 September 2023	8	5	18	31
Acquired through business combinations (note 5.1)	5	2	–	7
Additions	–	–	2	2
Disposals	–	–	(3)	(3)
At 28 September 2024	**13**	**7**	**17**	**37**
Accumulated amortisation and impairment				
At 24 September 2022	5	–	8	13
Amortisation during the period	–	–	4	4
Impairment	1	–	–	1
Disposals	–	–	(4)	(4)
At 30 September 2023	6	–	8	14
Amortisation during the period	–	–	4	4
Impairment	–	–	1	1
Disposals	–	–	(2)	(2)
At 28 September 2024	**6**	**–**	**11**	**17**
Net book value				
At 28 September 2024	**7**	**7**	**6**	**20**
At 30 September 2023	2	5	10	17
At 24 September 2022	2	–	12	14

Goodwill and brands

With the exception of goodwill, there are no intangible assets with indefinite useful lives. All amortisation charges have been expensed through operating costs.

Brand intangibles have been recognised as part of business combinations (see note 5.1). Brand intangibles are amortised over their estimated useful lives and have an average remaining useful life of 20 years.

Impairment review

All goodwill was recognised as part of business combinations. Goodwill has been allocated to cash-generating units, being individual outlets, to test for impairment. An impairment charge of £nil (2023 £1m) has been recognised in the current period.

Computer software has been allocated to cash-generating units, being individual outlets, to test for impairment. An impairment charge of £1m (2023 £nil) has been recognised in the current period.

Further details of the impairment review are provided in note 3.3.

The carrying values of acquired brands are subject to impairment review if changes in events or circumstances give indication the brand value may be impaired, of which there have been none in the current period.

3.7 Associates

Accounting policy

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. If after reassessment the Group's share of the net fair value of the identifiable assets and liabilities are in excess of the cost of the investment, this is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest, and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The nature of the activities of all of the Group's associates is trading in pubs and restaurants, which are seen as complementing the Group's operations and contributing to the Group's overall strategy.

Associates can be analysed as follows:

	£m
Cost	
At 24 September 2022	6
Share in associates results	1
Fair value adjustment as a result of business combination (note 2.2)	5
Disposal of associate as a result of business combination	(12)
At 30 September 2023	–
Share in associates results	–
At 28 September 2024	**–**

The carrying value of associates of £nil (2023 £nil) relates to Fatboy Pub Company Limited. Details of this associate are provided in note 5.2.

3Sixty Restaurants Limited is no longer recognised as an associate and has been consolidated as a subsidiary from 18 April 2023, the date on which control passed to the Group.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs

4.1 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:

	2024 £m	2023 £m
Current		
Securitised debt[a,b]	**130**	123
Unsecured revolving credit facilities[c]	**(1)**	(2)
Overdrafts[d]	**12**	23
Other borrowings[e]	**2**	–
Total current	**143**	144
Non-current		
Securitised debt[a,b]	**1,041**	1,186
Total borrowings	**1,184**	1,330

a. Further details of the assets pledged as security against the securitised debt are given on page 140.
b. Stated net of deferred issue costs.
c. At 28 September 2024 the amount of £1m (2023 £2m) represents unamortised issue costs.
d. The overdraft is within a cash pooling arrangement. In the cash flow statement, cash and cash equivalents are presented net of this overdraft (see note 4.4).
e. Short-term financing of employee advances.

	2024 £m	2023 £m
Analysis by year of repayment		
Due within one year or on demand	**143**	144
Due between one and two years	**157**	164
Due between two and five years	**458**	435
Due after five years	**426**	587
Total borrowings	**1,184**	1,330

Securitised debt

On 13 November 2003, the Group refinanced its debt by raising £1,900m through a securitisation of the majority of its UK pubs and restaurants owned by Mitchells & Butlers Retail Limited. On 15 September 2006 the Group completed a further debt ('tap') issue to borrow an additional £655m and refinance £450m of existing debt at lower cost.

The loan notes consist of ten tranches as follows:

Tranche	Initial principal borrowed £m	Interest	Principal repayment period (all by instalments)	Effective interest rate %	Principal outstanding 28 September 2024 £m	Principal outstanding 30 September 2023 £m	Expected WAL[a]
A1N	200	Floating	2011 to 2028	6.61[b]	**62**	75	2 years
A2	550	Fixed – 5.57%	2003 to 2028	5.72	**112**	136	2 years
A3N	250	Floating	2011 to 2028	6.69[b]	**77[c]**	93[c]	2 years
A4	170	Floating	2016 to 2028	6.37[b]	**75**	89	2 years
AB	325	Floating	2020 to 2032	6.28[b]	**260**	276	5 years
B1[d]	350	Fixed – 5.97%	2003 to 2023	6.12	**–**	5	0 years
B2	350	Fixed – 6.01%	2015 to 2028	6.12	**205**	240	2 years
C1	200	Fixed – 6.47%	2029 to 2030	6.56	**200**	200	5 years
C2	50	Floating	2033 to 2034	6.47[b]	**50**	50	9 years
D1	110	Floating	2034 to 2036	6.68[b]	**110**	110	11 years
	2,555				**1,151**	1,274	

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 £96m (2023 £127m). Therefore the exchange difference on the A3N notes is £19m (2023 £34m).
d. The B1 loan notes were fully repaid during the current period in accordance with the documented repayment schedule.

Principal outstanding above is reconciled to the principal outstanding and carrying value of securitised debt as disclosed on page 155 as follows.

	2024 £m	2023 £m
Principal outstanding	**1,151**	1,274
A3N US$ notes exchange difference	**19**	34
Principal outstanding at spot rate	**1,170**	1,308
Deferred issue costs	**(1)**	(2)
Accrued interest	**2**	3
Carrying value at end of period	**1,171**	1,309

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 SONIA	0.57%
A3N	3 month SOFR	0.71%
A4	3 month SONIA	0.69%
AB	3 month SONIA	0.72%
C2	3 month SONIA	1.99%
D1	3 month SONIA	2.24%

The overall cash interest rate payable on the loan notes is 6.3% (2023 6.3%) after taking account of interest rate hedging and the cost of the financial guarantee provided by Ambac Assurance UK Limited (Ambac). Ambac acts as a guarantor of the Group's obligations to repay interest and principal on the loan notes. In the event that the Group is unable to pay such amounts the guarantee is limited to the Class A1N, A3N, A4 and Class AB note holders only.

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Mitchells & Butlers Retail Limited, the Group's main operating subsidiary. There are two main financial covenants, being the level of net assets and free cash flow (FCF) to debt service. FCF to debt service represents the multiple of cash generated by sites within the structure to the cost of debt service. This is tested quarterly on both a trailing two quarter and a four quarter basis. There are additional 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. Further details of the covenants are provided in the going concern review on pages 127 to 128.

At 28 September 2024, Mitchells & Butlers Retail Limited had cash and cash equivalents of £91m (2023 £54m). Of this amount £2m (2023 £4m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions. The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

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

	2024 £m	2023 £m
Principal outstanding at beginning of period	**1,308**	1,448
Principal repaid during the period	**(128)**	(121)
Net principal receipts on cross currency swap	**5**	5
Exchange on translation of dollar loan notes	**(15)**	(24)
Principal outstanding at end of period	**1,170**	1,308
Deferred issue costs	**(1)**	(2)
Accrued interest	**2**	3
Carrying value at end of period	**1,171**	1,309

Liquidity facility

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

The amount drawn at 28 September 2024 is £nil (2023 £nil).

Unsecured revolving credit facilities

The Group holds a single unsecured committed revolving credit facility of £200m, which expires on 20 July 2026. The amount drawn at 28 September 2024 is £nil (2023 £nil).

There are covenants on the unsecured revolving credit facilities relating to the ratio of EBITDAR to rent plus interest and net debt to EBITDA based on the performance of the unsecured estate. Further details of the covenants are provided in the going concern review on pages 127 and 128.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.2 Finance costs and income

	2024 52 weeks £m	2023 53 weeks £m
Finance costs		
Interest on securitised debt	**(79)**	(89)
Interest on other borrowings	**(13)**	(11)
Interest on lease liabilities	**(17)**	(16)
Total finance costs	**(109)**	(116)
Finance income		
Interest receivable – cash	**10**	8
Net pensions finance charge (note 4.5)	**(2)**	(3)

4.3 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.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets, where applicable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group adopts the simplified approach detailed in IFRS 9 for trade receivables and finance lease receivables and therefore recognises lifetime ECL on these assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

Definition of default

The Group considers financial assets to be in default when information developed internally or obtained from external sources indicates that a debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to twelve-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

The Group has financial liabilities relating to borrowings, for which the accounting policy is provided in note 4.1. Other financial liabilities are initially measured at fair value, net of transaction costs.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

Derecognition of financial liabilities

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 finance charges over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (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) over the expected life of the debt instrument, or where appropriate, a shorter period, to the amortised cost of a financial liability. Finance charges are recognised on an effective interest basis for all debt instruments.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including interest rate and currency swaps.

Derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the current legal right to offset and intention to settle on a net basis or realise simultaneously. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.3 Financial instruments continued

Accounting policies continued

Hedge accounting

The Group designates its derivative financial instruments, i.e. interest rate and currency swaps, as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Hedge accounting is discontinued only when the hedging relationship ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold or terminated. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedging reserve is reclassified immediately to profit or loss.

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 an unsecured committed revolving credit facility of £200m. 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 credit facilities of £5m, together with short-term financing in respect of employee advances (£2m).

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), based on the prevailing period end interest and exchange rates, for the Group's financial liabilities, after taking into account the effect of interest rate and currency swaps (which are settled gross) and assumes no early redemption in respect of any loan notes. As such these amounts will not always reconcile to amounts disclosed in the Group Balance Sheet.

	Within one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m	Total £m
28 September 2024							
Securitised debt – loan notes	**(201)**	**(198)**	**(198)**	**(198)**	**(192)**	**(496)**	**(1,483)**
Derivative financial liabilities (settled net)	**(2)**	**(4)**	**(4)**	**(3)**	**(2)**	**(7)**	**(22)**
Derivative financial asset receipts	**24**	**24**	**24**	**24**	**6**	**–**	**102**
Derivative financial asset payments	**(20)**	**(20)**	**(20)**	**(20)**	**(5)**	**–**	**(85)**
Fixed rate: Securitised debt	**(199)**	**(198)**	**(198)**	**(197)**	**(193)**	**(503)**	**(1,488)**
Lease liabilities	**(50)**	**(50)**	**(46)**	**(49)**	**(40)**	**(430)**	**(665)**
Trade payables	**(114)**	**–**	**–**	**–**	**–**	**–**	**(114)**
Other payables	**(19)**	**(9)**	**–**	**–**	**–**	**–**	**(28)**
Accrued charges	**(186)**	**–**	**–**	**–**	**–**	**–**	**(186)**
Other financial liabilities	**(30)**	**–**	**–**	**–**	**–**	**–**	**(30)**
30 September 2023							
Securitised debt – loan notes	(206)	(204)	(203)	(203)	(202)	(696)	(1,714)
Derivative financial liabilities (settled net)	–	(2)	(2)	(2)	(1)	(3)	(10)
Derivative financial asset receipts	27	27	27	27	27	7	142
Derivative financial asset payments	(21)	(20)	(20)	(20)	(20)	(5)	(106)
Fixed rate: Securitised debt	(200)	(199)	(198)	(198)	(196)	(697)	(1,688)
Lease liabilities	(49)	(52)	(51)	(42)	(47)	(449)	(690)
Trade payables	(100)	–	–	–	–	–	(100)
Other payables	(22)	–	–	–	–	–	(22)
Accrued charges	(182)	–	–	–	–	–	(182)
Other financial liabilities	(58)	–	–	–	–	–	(58)

Credit risk

The Group Treasury function enters into contracts with third parties in respect of the investment of surplus funds and derivative financial instruments for risk management purposes. These activities expose the Group to credit risk against the counterparties. To mitigate this exposure, Group Treasury operates policies that restrict the general 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). Where ratings subsequently drop below the policy minimum additional approval is sought from the Board to retain the position, or action is taken to move to a higher rated counterparty. The minimum long-term rating of any Group counterparty during the year was 'A'. The amount that can be invested or transacted at various ratings levels is restricted under the policy. Counterparties to derivative financial instruments may also be required to post collateral with the Group where their credit rating falls below a predetermined level. At the period end a collateral amount of £30m (2023 £58m) is held by the Group and is recognised as an other financial asset and other financial liability in the balance sheet.

To minimise credit risk exposure against individual counterparties, investments and derivative transactions are entered into with a range of counterparties. The maximum investment exposure with any counterparty during the year was £49m (2023 £50m). The Group held investments with ten counterparties during the year (2023 eleven). 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.

Trade receivables and other receivables mainly represent amounts due from tenants of unlicensed properties, amounts due from Group suppliers and cash collateral deposits held by third parties. Credit exposure relating to tenants is ordinarily considered to be low risk, with an expected lifetime credit loss calculated at the period end to reflect the risk of irrecoverable amounts. To minimise credit risk new tenants are assessed using an external credit rating system before they are approved for tenancy. Credit exposure is reduced for the amounts due from Group suppliers as the Group holds offsetting amounts in trade and other payables that are due to some of these suppliers. Credit risk on cash collateral deposits held by third parties are considered to be low credit risk as they are held with reputable banking institutions by third parties.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.3 Financial instruments continued

The Group's maximum credit exposure at the balance sheet date was:

	FVTPL £m	12-month ECL £m	Lifetime ECL £m	Total £m
28 September 2024:				
Cash and cash equivalents[a]	**–**	**164**	**–**	**164**
Trade receivables[b]	**–**	**–**	**13**	**13**
Other receivables[b]	**–**	**16**	**–**	**16**
Other financial assets	**–**	**30**	**–**	**30**
Defined benefit pension blocked account	**–**	**12**	**–**	**12**
Finance lease receivables[c]	**–**	**1**	**11**	**12**
Derivatives	**19**	**–**	**–**	**19**
30 September 2023:				
Cash and cash equivalents[a]	–	103	–	103
Trade receivables[b]	–	–	17	17
Other receivables[b]	–	16	–	16
Other financial assets	–	58	–	58
Defined benefit pension blocked account	–	47	–	47
Finance lease receivables[c]	–	–	12	12
Derivatives	35	–	–	35

a. Cash and cash equivalents as presented in the cash flow statement. This is presented net of an overdraft within a cash pooling arrangement, to which the Group has a legal right of offset.
b. Trade receivables and other receivables are shown net of an expected credit loss allowance, as shown in note 3.4.
c. Finance lease receivables expected credit loss allowance is immaterial, as described in note 3.2.

Capital management

The Group's capital base is comprised of its net debt (analysed in note 4.4) 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 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 4.1). 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 period, 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 Chief Financial Officer is also a member of the Committee.

Total capital at the balance sheet date is as follows:

	2024 £m	2023 £m
Net debt excluding leases (note 4.4)	**989**	1,170
Total equity	**2,566**	2,130
Total capital	**3,555**	3,300

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 most significant currency risk the Group faces is in relation to the class A3N floating rate notes. At issuance of these 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 have a carrying value of £96m (2023 £127m) and form part of the securitised debt (see note 4.1).

Sensitivity analysis

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 (2023 £nil) impact on the reported Group profit and £16m (2023 £12m) impact on the reported Group equity.

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 consolidated financial statements through the adoption of the hedge accounting provisions permitted under IFRS 9. The interest rate exposure resulting from the Group's £1.2bn 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.

A number of the Group's financial instruments were initially issued with LIBOR as their interest reference rate. The Group completed the necessary amendments to transition its financing arrangements in advance of the discontinuation of LIBOR as a floating reference rate, replacing LIBOR with a Sterling Overnight Index Average (SONIA) based rate in respect of sterling and a Secured Overnight Financing Rate (SOFR) based rate in respect of US dollars. The amendments in respect of the securitised bonds were agreed by the Bondholders through a formal consent solicitation process and bilateral agreements were reached with securitised swap providers (using amended reference rates consistent with those agreed under the bonds). All sterling-based facilities and agreements referencing Sterling LIBOR transitioned in prior periods to reference SONIA, plus a credit adjustment spread of 11.93 basis points to maintain an economically equivalent position, for periods commencing on or after 1 January 2022. The facilities previously referencing US dollar LIBOR transitioned to SOFR plus 26.161 basis points for periods commencing on or after 1 July 2023.

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

There has been no change to interest rate exposure in the current period. This is consistent with the Group Treasury policy on interest rate management.

Sensitivity analysis

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. A 1% movement is used when reporting interest rate risk internally to key management personnel and represents management's assessment of this reasonably possible change in interest rates.

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.

The Group's sensitivity to a 1% increase in interest rates is detailed below:

	2024 £m	2023 £m
Interest income[a]	**1**	2
Interest expense[b]	**–**	–
Profit impact	**1**	2
Derivative financial instruments (fair values)[c]	**40**	31
Total equity	**41**	33

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. The following amounts have been recognised during the period:

	2024 52 weeks £m	2023 53 weeks £m
Losses arising during the period	**(34)**	(9)
Reclassification adjustments for losses included in profit or loss within finance costs	**11**	30
	(23)	21

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.3 Financial instruments continued

Cash flow hedges – securitised borrowings

The nominal and carrying values of cash flow hedges at the balance sheet date, together with the changes in fair value of cash flow hedges during the period, are shown below.

	Nominal amount of hedging instrument £m	Carrying amount of hedging instrument		Changes in fair value used for calculating hedge ineffectiveness £m
		Assets £m	Liabilities £m	
2024				
Interest rate risk				
– 10 interest rate swaps	**633**	**–**	**(29)**	**(22)**
Foreign exchange risk				
– Cross currency swap	**77**	**19**	**–**	**(16)**
2023				
Interest rate risk				
– 10 interest rate swaps	693	–	(7)	21
Foreign exchange risk				
– Cross currency swap	93	35	–	(24)

The cash flows on the interest rate swaps occur quarterly, receiving a floating rate of interest based on SONIA plus a credit adjustment spread of 11.93 basis points, and paying a fixed rate of 4.78% (2023 4.81%). The contract maturity dates match those of the hedged item. No hedge ineffectiveness on the interest rate swaps was recognised in profit or loss in the current or prior period.

The cash flows on the cross currency swap occur quarterly, receiving a floating rate of interest based on SOFR and paying a floating rate of interest at SONIA plus a credit adjustment spread of 11.93 basis points in sterling. The ineffectiveness on the cross currency swaps due to foreign currency basis spread was immaterial in both the current and prior period.

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. In the event of default, the interest rate swaps and cross currency swaps with counterparty B may be settled net, as shown below.

The position at 28 September 2024 is as follows.

	Gross position £m	Positions netted in balance sheet £m	Balance sheet position £m	Positions that could be net in balance sheet but are not £m	Overall net exposure £m
Counterparty A – interest rate swaps	**(13)**	**–**	**(13)**	**–**	**(13)**
Counterparty B – interest rate swaps	**(16)**	**–**	**(16)**	**19**	**3**
Net interest rate swaps	**(29)**	**–**	**(29)**	**19**	**(10)**
Counterparty B – cross currency swap liability	**(78)**	**78**	**–**	**–**	**–**
Counterparty B – cross currency swap asset	**97**	**(78)**	**19**	**(19)**	**–**
Net cross currency swap	**19**	**–**	**19**	**(19)**	**–**
Total	**(10)**		**(10)**	**–**	**(10)**

The position at 30 September 2023 was as follows.

	Gross position £m	Positions netted in balance sheet £m	Balance sheet position £m	Positions that could be net in balance sheet but are not £m	Overall net exposure £m
Counterparty A – interest rate swaps	(3)	–	(3)	–	(3)
Counterparty B – interest rate swaps	(4)	–	(4)	35	31
Net interest rate swaps	(7)	–	(7)	35	28
Counterparty B – cross currency swap liability	(94)	94	–	–	–
Counterparty B – cross currency swap asset	129	(94)	35	(35)	–
Net cross currency swap	35	–	35	(35)	–
Total	28	–	28	–	28

Fair values of derivative financial instruments

The fair values of the derivative financial instruments were measured at 28 September 2024 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
Derivatives at fair value designated in cash flow hedges:					
– Interest rate swaps	**–**	**–**	**(2)**	**(27)**	**(29)**
– Cross currency swap	**19**	**–**	**–**	**–**	**19**
28 September 2024	**19**	**–**	**(2)**	**(27)**	**(10)**
30 September 2023	33	2	–	(7)	28

Reconciliation of movements in derivative values

The tables below detail changes in the Group's derivatives, including both cash and non-cash changes where appropriate. Changes in the Group's borrowings are disclosed in the net debt reconciliation in note 4.4.

Movements in derivative values for the 52 weeks ended 28 September 2024 are represented by:

	At 30 September 2023 £m	Cash movements £m	Fair value movements £m	At 28 September 2024 £m
Cash flow hedges	**28**	**(4)**	**(34)**	**(10)**
Total derivatives	**28**	**(4)**	**(34)**	**(10)**

Movements in derivative values for the 53 weeks ended 30 September 2023 are represented by:

	At 24 September 2022 £m	Cash movements £m	Fair value movements £m	At 30 September 2023 £m
Cash flow hedges	31	(1)	(2)	28
Share options	1	–	(1)	–
Total derivatives	32	(1)	(3)	28

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.3 Financial instruments continued

Fair value of financial assets and liabilities

The fair value and carrying value of financial assets and liabilities by category is as follows:

	2024		2023	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets at amortised cost:				
– Cash and cash equivalents (note 4.4)	**176**	**176**	126	126
– Trade receivables (note 3.4)	**13**	**13**	17	17
– Other receivables (note 3.4)	**16**	**16**	16	16
– Other financial assets (note 3.4)	**30**	**30**	58	58
– Defined benefit pension blocked account (note 3.4)	**12**	**12**	47	47
– Finance lease receivables (note 3.2)	**12**	**12**	12	12
	259	**259**	276	276
Financial assets – derivatives at FVTPL:				
– Derivative instruments in designated hedge accounting relationships (note 4.3)	**19**	**19**	35	35
	19	**19**	35	35
Financial liabilities at amortised cost:				
– Borrowings (note 4.1)	**(1,184)**	**(1,084)**	(1,330)	(1,162)
– Lease liabilities (note 3.2)	**(447)**	**(447)**	(463)	(463)
– Trade payables (note 3.4)	**(114)**	**(114)**	(100)	(100)
– Accrued charges (note 3.4)	**(186)**	**(186)**	(182)	(182)
– Other payables (note 3.4)	**(27)**	**(27)**	(22)	(22)
– Other financial liabilities (note 3.4)	**(30)**	**(30)**	(58)	(58)
	(1,988)	**(1,888)**	(2,155)	(1,987)
Financial liabilities – derivatives at FVTPL:				
– Derivative instruments in designated hedge accounting relationships (note 4.3)	**(29)**	**(29)**	(7)	(7)

Borrowings have been valued as Level 1 financial instruments, as 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. Other financial assets and liabilities are either short term in nature or their book values approximate to fair values.

Fair value of derivative 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 derivative financial instruments held at fair value by the Group:

Fair value at 28 September 2024	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets:				
Currency swaps	**–**	**19**	**–**	**19**
Financial liabilities:				
Interest rate swaps	**–**	**(29)**	**–**	**(29)**
	–	**(10)**	**–**	**(10)**

Fair value at 30 September 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Currency swaps	–	35	–	35
Financial liabilities:				
Interest rate swaps	–	(7)	–	(7)
	–	28	–	28

4.4 Net debt

Accounting policies

Cash and cash equivalents

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

Net debt

Net debt comprises cash and cash equivalents, cash deposits net of borrowings, discounted lease liabilities, derivatives hedging securitised debt and short-term financing for advances to employees. Net debt is presented on a constant currency basis, due to the inclusion of the fixed exchange rate component of the cross currency swap (as described in note 4.3). Cash flows on the interest rate and cross currency swaps are shown within interest paid in the Group cash flow statement.

Net debt

	Note	**2024 £m**	2023 £m
Cash and cash equivalents		**176**	126
Overdraft	4.1	**(12)**	(23)
Cash and cash equivalents as presented in the cash flow statement[a]		**164**	103
Securitised debt	4.1	**(1,171)**	(1,309)
Unsecured revolving credit facility	4.1	**1**	2
Derivatives hedging securitised debt[b]	4.1	**19**	34
Short-term financing of employee advances[c]	4.1	**(2)**	–
Net debt excluding leases		**(989)**	(1,170)
Lease liabilities	3.2	**(447)**	(463)
Net debt including leases		**(1,436)**	(1,633)

a. Cash and cash equivalents, in the cash flow statement, are presented net of an overdraft within a cash pooling arrangement relating to various entities across the Group.
b. 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. Derivatives hedging debt restates the US$ debt at $1.675:£1.
c. Advances to employees is a borrowing from Wagestream.

Movement in net debt excluding leases

	2024 52 weeks £m	2023 53 weeks £m
Net increase/(decrease) in cash and cash equivalents	**62**	(86)
Add back cash flows in respect of other components of net debt:		
Principal repayments on securitised debt	**128**	121
Principal receipts on cross currency swap	**(21)**	(21)
Principal payments on cross currency swap	**16**	16
Short-term financing of employee advances	**(2)**	–
Decrease in net debt arising from cash flows	**183**	30
Movement in capitalised debt issue costs net of accrued interest	**(1)**	(1)
Decrease in net debt excluding leases	**182**	29
Opening net debt excluding leases	**(1,170)**	(1,198)
Foreign exchange movements on cash	**(1)**	(1)
Closing net debt excluding leases	**(989)**	(1,170)

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.4 Net debt continued

Movement in lease liabilities:

	2024 52 weeks £m	2023 53 weeks £m
Opening lease liabilities	**(463)**	(481)
Acquired through business combinations (note 5.1)	**(5)**	(5)
Additions[a]	**(28)**	(35)
Interest charged during the period (note 4.2)	**(17)**	(16)
Repayment of principal	**41**	53
Payment of interest	**17**	16
Disposals	**7**	4
Foreign currency movements	**1**	1
Closing lease liabilities	**(447)**	(463)

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

The movement in net debt including leases for the 52 weeks ended 28 September 2024 is represented by:

	At 30 September 2023 £m	Cash flow movements in the period £m	Non-cash movements in the period £m	Foreign currency movements £m	At 28 September 2024 £m
Securitised debt	**(1,309)**	**128**	**–**	**10**	**(1,171)**
Derivatives hedging securitised debt	**34**	**(5)**	**–**	**(10)**	**19**
	(1,275)	**123**	**–**	**–**	**(1,152)**
Revolving credit facilities	**2**	**–**	**(1)**	**–**	**1**
Short-term financing	**–**	**(2)**	**–**	**–**	**(2)**
Lease liabilities[a]	**(463)**	**58**	**(43)**	**1**	**(447)**
Total liabilities arising from financing activities	**(1,736)**	**179**	**(44)**	**1**	**(1,600)**
Cash and cash equivalents	**103**	**62**	**–**	**(1)**	**164**
Net debt including leases	**(1,633)**	**241**	**(44)**	**–**	**(1,436)**

a. Cash movements of £58m relate to £41m repayment of principal on lease liabilities and £17m of interest paid on lease liabilities.

The movement in net debt including leases for the 53 weeks ended 30 September 2023 is represented by:

	At 24 September 2022 £m	Cash flow movements in the period £m	Non-cash movements in the period £m	Foreign currency movements £m	At 30 September 2023 £m
Securitised debt	(1,447)	121	(3)	20	(1,309)
Derivatives hedging securitised debt	59	(5)	–	(20)	34
	(1,388)	116	(3)	–	(1,275)
Revolving credit facilities	–	2	–	–	2
Lease liabilities[a]	(481)	69	(52)	1	(463)
Total liabilities arising from financing activities	(1,869)	187	(55)	1	(1,736)
Cash and cash equivalents	190	(86)	–	(1)	103
Net debt including leases	(1,679)	101	(55)	–	(1,633)

a. Cash movements of £69m relate to £53m repayment of principal on lease liabilities and £16m of interest paid on lease liabilities.

4.5 Pensions

Accounting policy

Retirement and death benefits have been 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 (DC) and defined benefit (DB) sections.

In the current period, the defined contribution members within MABEPP were transferred to MABPP. Following this, in September 2024, the defined benefit liabilities within MABEPP were bought out with Legal & General Assurance Society Limited. This means there are no liabilities within MABEPP at the year end and so the defined benefit liabilities at the year end relate to the funded MABPP, together with an unfunded unapproved pension arrangement (the Executive Top-Up Scheme, or MABETUS) in respect of certain individuals who were previously members of MABEPP. The assets of the plans are held in self-administered trust funds separate from the Company's assets.

The plans operate under the UK regulatory framework and are governed by Trustee Boards composed of member-nominated and independent Trustee Directors. The Trustee Directors make investment decisions and set the required contribution rates based on independent actuarial advice and consultation with the Company.

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.

Actuarial surplus/(liabilities) are the present value of the fair value of the schemes' assets less the defined benefit obligation. The defined benefit obligation has been calculated using the projected unit credit method. This is based on a number of financial assumptions and estimates, the determination of which may be significant to the balance sheet valuation.

A pension surplus is recognised where there is an expectation of future economic benefit to the company. In the current period, the Trustees of MABPP resolved that any surplus arising in MABPP can be used to pay for the employer contributions to the defined contribution section of MABPP. Since this is a change in the Trustee's agreed use of the MABPP surplus compared to previous years, the accounting surplus is being recognised in full in this year's accounts, with the full value of the surplus of £164m expected to be an economic benefit to the Company. This economic benefit has been determined over the future lifetime of the DC section of the plan, in particular on the basis that this section remains open to new members in its current form, and therefore will continue to remain active for the foreseeable future. In prior periods no actuarial surplus has been recognised as the Company did not have an unconditional right to recover any surplus from the pension plans.

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 schemes are recognised within operating costs in the income statement.

Remeasurement comprising actuarial gains and losses, the effect of minimum funding requirements, and the return on schemes' 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 plans 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.

Measurement of scheme assets and liabilities

MABEPP – buy-out

The Trustees of MABEPP bought-out the liabilities of the plan with Legal and General Assurance Society Limited on 20 September 2024, through converting the overall bulk annuity policy (held by the Trustees as an investment since 2021) into individual policies in members' own names. As part of this process, a separate decision was made in August 2024 by the Company to convert the buy-in policy into a buy-out, which was independent of, and not related to, the initial decision in December 2021 to purchase a buy-in policy.

As a result of the decision to buy-out, which relieves the Company of primary responsibility for the obligation, this event has been treated as a settlement of an equal and opposite amount on both the assets and liabilities, such that the net impact is a zero cost. Since the buy-out was close to the Company's year end, the settlement calculation has been calculated using the year end assumptions (the key assumptions of which are set out below).

The intention is for MABEPP to be wound-up over the course of the next twelve months.

A £3m cash surplus remaining in MABEPP at the year end has been recognised as it will transfer to MABPP on the wind up of the scheme and recovered from future DC scheme contributions in line with the MABPP surplus.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.5 Pensions continued

MABPP – buy-in policy transaction

During the prior period the Trustees of the MABPP entered a Bulk Purchase Agreement ('BPA') with Standard Life. The resulting policy was set up to provide the plan with sufficient funding to cover all known member benefits of the scheme. As in the prior period the following considerations remain applicable:

- the employer is not relieved of primary responsibility for the obligation. The policy simply covers the benefit payments that continue to be payable by the scheme;
- the contract is effectively an investment of the scheme;
- the contract provides the option to convert the annuity into individual policies, which would transfer the obligation to the insurer (known as a "buy-out"). Whilst this course of action may be considered in future, this is not a requirement and a separate decision will be required before any buy-out proceeds. The Company had not made a decision, and has still not made a decision, to move to buy-out; and
- the Trustee and insurer continue to progress a data cleanse project. An adjustment has been made to the assets held by the MABPP to allow for £6m additional premium, which is the current best estimate of the true-up premium payable to the insurer once the data cleanse project is completed. This is based on the current status of the data cleanse project, and may be updated in future as this progresses to allow for any further changes, including the potential impact of the recent Virgin Media legal case.

MABPP – recognition of actuarial surplus

Over the course of 2024, the Trustees of MABPP resolved that any surplus arising in MABPP can be used to pay for the employer contributions to the defined contribution section of MABPP. In connection with this, before the buy-out of MABEPP occurred in September 2024, the defined contribution members within MABEPP were moved across to MABPP, along with the remaining surplus funds from the MABEPP (with the exception of £3m which remains in MABEPP and which will transfer to MABPP on the wind up of the scheme), to enable future employer contributions for them to be met out of the surplus in the MABPP. Since this is a change in the Trustee's agreed use of the MABPP surplus compared to previous years, the accounting surplus is being recognised in full in this year's accounts, with the full value of the surplus of £164m (including the £3m remaining within MABEPP until the wind up of the scheme) expected to be an economic benefit to the Company. This economic benefit has been determined over the future lifetime of the DC section of the plan, in particular on the basis that this section remains open to new members in its current form, and therefore will continue to remain active for the foreseeable future. In prior periods no actuarial surplus has been recognised as the Company did not have an unconditional right to recover any surplus from the pension plans.

Actuarial valuation

The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the latest full actuarial valuation carried out as at 31 March 2022, which completed in December 2022, and updated by the schemes' independent qualified actuaries to 28 September 2024. Schemes' assets are stated at market value at 28 September 2024 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the schemes' liabilities are discounted using market yields at the end of the period on high-quality corporate bonds.

The principal financial assumptions have been updated to reflect changes in market conditions in the period and are as follows. Whilst the Executive Plan bought out all it's liabilities with Legal & General during the period, the assumptions applicable to the Executive Plan have been used in the settlement calculation given it's proximity to the year end date.

	2024		2023	
	Main plan	**Executive plan**	Main plan	Executive plan
Discount rate	**5.1%**	**5.1%**	5.7%	5.7%
Pensions increases – RPI max 5%	**3.0%**	**3.0%**	3.1%	3.1%
Inflation rate – RPI	**3.2%**	**3.2%**	3.3%	3.3%

The discount rate is based on a yield curve for AA corporate rated bonds which are consistent with the currency and estimated term of retirement benefit liabilities.

To determine the RPI assumption the gilt implied inflation yield curve has been used, reflecting the duration of the Plan's cash flows, and adjusting for an assumed inflation risk premium.

The mortality assumptions were reviewed following the 2022 actuarial valuation, although for MABETUS a member-specific analysis has been carried out in 2024 to set a more appropriate mortality assumption due to the unique membership make-up (previously the MABETUS life expectancies were set equal to those used in the Executive Plan). A summary of the average life expectancies assumed is as follows:

	2024			2023		
	Main plan years	**Executive plan years**	**MABETUS years**	Main plan years	Executive plan years	MABETUS years
Male member aged 65 (current life expectancy)	**20.9**	**22.9**	**24.3**	20.9	22.9	22.9
Male member aged 45 (life expectancy at 65)	**22.3**	**24.3**	**25.9**	22.3	24.3	24.3
Female member aged 65 (current life expectancy)	**23.8**	**24.7**	**27.7**	23.8	24.7	24.7
Female member aged 45 (life expectancy at 65)	**25.2**	**26.1**	**28.9**	25.2	26.1	26.1

Minimum funding requirements

The results of the 2022 actuarial valuation, which was completed in December 2022, show a marginal surplus. As a result of the 2022 actuarial valuation, the Company subsequently agreed a revised schedule of contributions for both the MABPP and MABEPP schemes.

For the MABEPP, the agreement confirms that from December 2022, payments into the "Blocked Account" that commenced after completion of the buy-in transaction in 2021 have been suspended.

For the MABPP, contributions since December 2022 were made into a "Blocked Account". As the scheme is in surplus, in the current period the Trustee agreed to return in full the balance of £36m in the blocked account to the Company, which the Company had recognised within non-current receivable in the prior period.

As a result, the remaining Blocked Account for MABEPP is recognised within current other receivables (note 3.4) as recovery of this amount is expected. The amount recognised as at 28 September 2024 is £12m (2023 £47m; £12m in respect of the MABEPP blocked account and £35m in respect of the MABPP blocked account, since repaid – both shown within non-current other receivables).

As a result of the above changes, the resulting net pension asset as at 28 September 2024 is £139m, which represents £164m surplus in relation to MABEPP and MABPP, with a liability of £25m relating to MABETUS.

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. These are considered to be reasonable sensitivities based on the average movement over the last three financial periods. There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior period.

2024	**Increase/ (decrease) in actuarial surplus 2024 £m**
0.5% increase in discount rate	**2**
0.2% increase in inflation rate	**(1)**
Additional one year decrease to life expectancy	**1**

2023	Increase/ (decrease) in actuarial surplus 2023 £m
1.9% increase in discount rate	4
0.3% increase in inflation rate	(2)
Additional one year decrease to life expectancy	–

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 liabilities recognised in the statement of financial position.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

4.5 Pensions continued

Principal risks and assumptions

Following the MABEPP buy-out the principal risks and assumptions apply to the MABPP and MABETUS schemes which are not exposed to any unusual, entity specific or scheme specific risks. Whilst there are general risks as set out below, they have been mitigated in the MABPP due to the impact of the buy-in.

Inflation – The majority of the plans' obligations are linked to inflation. Higher inflation will lead to increased liabilities which is offset by the MABPP holding the BPA with Standard Life.

Interest rate – The plans' liabilities are determined using discount rates derived from yields on AA-rated corporate bonds. A decrease in corporate bond yields will increase plan liabilities though this will be offset by the MABPP holding the BPA with Standard Life.

Mortality – The majority of the plans' obligations are to provide benefits for the life of the members and their partners, so any increase in life expectancy will result in an increase in the plans' liabilities, although this will be offset by the MABPP holding the BPA with Standard Life.

Asset returns – The main asset held by the MABPP is the BPA with Standard Life, with other assets invested in a diversified portfolio of equities, bonds and other assets. Volatility in the non-BPA asset values will lead to movements in the net deficit/surplus reported in the Group balance sheet for the plans which in addition will also impact the pension finance charge in the Group income statement.

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	2024 52 weeks £m	2023 53 weeks £m
Operating profit:		
Employer contributions (defined contribution plans) (note 2.3)	**(19)**	(17)
Administrative costs (defined benefit plans)	**(5)**	(5)
Charge to operating profit	**(24)**	(22)
Finance costs:		
Net pensions finance income on actuarial surplus	**6**	14
Additional pensions finance charge due to asset ceiling/minimum funding	**(8)**	(17)
Net finance charge in respect of pensions	**(2)**	(3)
Total charge	**(26)**	(25)

Group statement of comprehensive income	2024 52 weeks £m	2023 53 weeks £m
Return on scheme assets and effects of changes in assumptions	**16**	(153)
Movement in pension liabilities recognised due to asset ceiling/minimum funding	**150**	195
Remeasurement of pension liabilities	**166**	42

Group balance sheet	2024 £m	2023 £m
Fair value of schemes' assets	**1,238**	1,434
Present value of schemes' liabilities	**(1,099)**	(1,313)
Actuarial surplus in the schemes	**139**	121
Additional liabilities recognised due to asset ceiling/minimum funding	**–**	(143)
Total pension asset/(liabilities)[a]	**139**	(22)
Associated deferred tax (liability)/asset (note 2.4)	**(35)**	5

a. The total net pension asset of £139m (2023 £22m liability) is presented as a pension asset of £164m, made up of a net asset from the two funded plans, and liabilities of £25m (2023 £22m), presented as a £1m current liability (2023 £1m) and a £24m non-current liability (2023 £21m).

The movement in the fair value of the schemes' assets in the period is as follows:

	Schemes' assets 2024 £m	2023 £m
Fair value of schemes' assets at beginning of period	**1,434**	1,699
Interest income	**79**	88
Remeasurement gain/(loss):		
– Loss on schemes' assets (excluding amounts included in net finance charge)	**100**	(277)
Additional employer contributions	**1**	8
Benefits paid	**(84)**	(79)
Administration costs	**(5)**	(5)
Settlements	**(287)**	–
At end of period	**1,238**	1,434

Changes in the present value of defined benefit obligation are as follows:

	Defined benefit obligation 2024 £m	2023 £m
Present value of defined benefit obligation at beginning of period	**(1,313)**	(1,442)
Interest cost	**(72)**	(74)
Benefits paid	**84**	79
Remeasurement losses:		
– Effect of changes in demographic assumptions	**(1)**	47
– Effect of changes in financial assumptions	**(81)**	82
– Effect of experience adjustments	**(3)**	(5)
Settlements	**287**	–
At end of period[a]	**(1,099)**	(1,313)

a. The defined benefit obligation comprises £25m (2023 £22m) relating to the MABETUS unfunded plan and £1,074m (2023 £1,291m) relating to the funded plans.

The weighted average duration of the defined benefit obligation is 13 years (2023 13 years).

The major categories and fair values of assets of the MABPP and MABEPP schemes at the end of the reporting period are as follows. All assets are held by the MABPP other than £3m cash in the MABEPP.

	2024 £m	2023 £m
Cash and equivalents	**82**	67
Pooled investment funds:		
– Real estate debt	**16**	23
Debt instruments:		
– Secured income debt	**82**	79
Forward foreign exchange contracts	**–**	1
MABPP insurance policies	**1,058**	983
MABEPP insurance policy	**–**	281
Fair value of assets	**1,238**	1,434

The actual investment return achieved on schemes' assets over the period was a profit of 12.9% (2023 loss of 12.0%), which represented a gain of £180m (2023 loss of £189m).

Cash and cash equivalents are classified as Level 1 instruments. Forward foreign exchange contracts are classified as Level 2 instruments. Real estate debt and secured income debt are classified as Level 3 instruments.

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

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.

Sharesave plan 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 £7m (2023 £5m).

The Group had six equity-settled share schemes (2023 five) in operation during the period: the Performance Share Plan (PSP); the Restricted Share Plan (RSP); the Performance Restricted Share Plan (PRSP); Sharesave Plan (SAYE); Share Incentive Plan (SIP) and Short Term Deferred Incentive Plan (STDIP).

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 92 to 112.

The fair value of awards under the Performance Share Plan, the Restricted Share Plan, the Share Incentive Plan and the Short Term Deferred Incentive Plan are equal to the share price on the date they are granted 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. There was no award under the RSP in the current period, as this scheme has been replaced by the PSP. The fair value of options granted under these schemes is shown below.

Fair value of options granted

	2024	2023
Share Incentive Plan	**282.5p**	228.0p
Short Term Deferred Incentive Plan	**229.0p**	134.6p
Performance Share Plan	**260.2p**	–
Restricted Share Plan	**–**	134.6p

The following table sets out weighted average information about how the fair value of the Sharesave Plan option grants were calculated.

Valuation model	**2024 Sharesave Plan** **Black-Scholes**	2023 Sharesave Plan Black-Scholes
Weighted average share price	**282.5p**	228.0p
Exercise price	**278.0p**	211.0p
Expected dividend yield	**–**	–
Risk-free interest rate	**4.13%**	4.30%
Volatility[a]	**43.1%**	42.2%
Expected life (years)[b]	**3.5**	4.1
Weighted average fair value of grants during the period	**110.2p**	94.1p

a. 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.
b. The expected life of the options represents the average length of time between grant date and exercise date.

Scheme movements in the period

The tables below summarise the movements in outstanding options during the period for each scheme.

	Number of shares		Weighted average exercise price	
Sharesave Plan	**2024 m**	2023 m	**2024 p**	2023 p
Outstanding at the beginning of the period	**5.6**	5.7	**219.5**	223.5
Granted	**1.8**	2.0	**278.0**	211.0
Forfeited	**(0.7)**	(1.1)	**220.8**	228.7
Expired	**(0.1)**	(1.0)	**223.2**	216.0
Outstanding at the end of the period	**6.6**	5.6	**235.4**	219.5
Exercisable at the end of the period	**–**	–	**–**	–

The outstanding options for the sharesave plan scheme had an exercise price of between 199.0p and 278.0p (2023 between 199.0p and 256.0p) and the weighted average remaining contract life was 2.7 years (2023 3.1 years). The number of forfeited shares in the period includes 369,713 (2023 744,873) cancellations.

Sharesave plan options were exercised on a range of dates. The average share price through the period was 260.0p (2023 174.9p).

	Number of shares	
Share Incentive Plan	**2024 m**	2023 m
Outstanding at the beginning of the period	**2.2**	2.1
Granted	**0.3**	0.3
Exercised	**(0.2)**	(0.2)
Outstanding at the end of the period	**2.3**	2.2
Exercisable at the end of the period	**1.5**	1.4

Options under the Share Incentive Plan are capable of remaining within the SIP trust indefinitely while participants continue to be employed.

	Number of shares	
Restricted Share Plan	**2024 m**	2023 m
Outstanding at the beginning of the period	**4.8**	2.4
Granted	**–**	2.4
Exercised	**(1.0)**	–
Forfeited	**(0.1)**	–
Outstanding at the end of the period	**3.7**	4.8
Exercisable at the end of the period	**–**	–

The weighted average remaining contract life of the RSP options was 0.8 years (2023 1.5 years).

	Number of shares	
Performance Share Plan	**2024 m**	2023 m
Outstanding at the beginning of the period	**–**	–
Granted	**2.7**	–
Outstanding at the end of the period	**2.7**	–
Exercisable at the end of the period	**–**	–

The weighted average remaining contract life of the PSP options was 2.2 years.

	Number of shares	
Performance Restricted Share Plan	**2024 m**	2023 m
Outstanding at the beginning of the period	**0.5**	1.8
Expired	**(0.5)**	(1.3)
Outstanding at the end of the period	**–**	0.5
Exercisable at the end of the period	**–**	–

The weighted average remaining contract life of the PRSP options was nil years (2023 0.1 years).

	Number of shares	
STDIP	**2024 m**	2023 m
Outstanding at the beginning of the period	**0.1**	–
Granted	**0.3**	0.1
Outstanding at the end of the period	**0.4**	0.1
Exercisable at the end of the period	**–**	–

The weighted average remaining contract life of the STDIP options was 0.6 years (2023 0.7 years).

Notes to the consolidated financial statements continued

Section 4 – Capital structure and financing costs continued

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 of. 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.

	2024		2023	
Called up share capital	**Number of shares**	**£m**	Number of shares	£m
Allotted, called up and fully paid				
Ordinary shares of 8 13/24p each				
At start of period	**597,726,859**	**51**	597,383,363	51
Share capital issued[a]	**330,812**	**–**	343,496	–
At end of period	**598,057,671**	**51**	597,726,859	51

a. During the period, the Company issued 330,812 (2023 343,496) shares at nominal value under share option schemes, for consideration of £28,257 (2023 £29,340).

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

There were no dividends declared or paid during the current or prior period.

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 (2023 £nil) has been recognised on shares issued in the period.

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 2,500,000 shares at a cost of £7,137,350 (2023 nil shares at a cost of £nil) and subscribed for 302,420 shares (2023 339,240) at a cost of £nil (2023 £nil). The employee share trusts released 1,280,727 (2023 195,457) shares to employees on the exercise of options and other share awards for a total consideration of £2,833,597 (2023 £nil). The 5,512,147 shares held by the trusts at 28 September 2024 had a market value of £17m (2023 3,990,454 shares held had a market value of £9m).

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 three years, the shares may be transferred or sold by the employee but would be subject to income tax and National Insurance contributions. 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 28 September 2024, the trustees, Equiniti Share Plan Trustees Limited, held 2,285,174 (2023 2,235,495) shares in the Company. Of these shares, 1,127,251 (2023 1,112,099) shares are available to employees, 1,131,504 (2023 1,112,172) shares have been awarded to employees but are still required to be held within the SIP Trust until the three year holding period has expired, and the remaining 26,419 (2023 11,224) 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 Restricted Share 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 28 September 2024, the trustees, Apex Group Fiduciary Services Limited, were holding 3,226,973 (2023 1,754,959) 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 consolidated financial statements of foreign subsidiaries.

Retained earnings

The Group's main operating subsidiary, Mitchells & Butlers Retail Limited, had retained earnings under FRS 101 of £2,384m at 28 September 2024 (2023 £2,227m). Its ability to distribute these reserves by way of dividends is restricted by the securitisation covenants (see note 4.1).

Notes to the consolidated financial statements continued

Section 5 – Other notes

5.1 Acquisitions

On 14 May 2024, the Group acquired the entire share capital of Pesto Restaurants Ltd, a group of ten restaurants based in the UK, for consideration which will be determined over two payments and partly contingent on future performance of the business. The consideration will be no more than £15m and has been assessed at £12m for the purposes of calculation of goodwill under IFRS 3.

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition were as follows.

	Fair value on acquisition £m
Land and buildings	7
Right-of-use assets	7
Brand intangible	2
Cash and cash equivalents	2
Trade and other payables	(3)
Lease liabilities	(5)
Borrowings	(1)
Deferred tax liability	(2)
Net identifiable assets of Pesto Restaurants Ltd	7
Goodwill	5
Fair value of assets and liabilities	12
Consideration:	
Initial cash consideration	4
Contingent consideration	8
Total consideration	12
Initial cash consideration	4
Less: cash and cash equivalents acquired	(2)
Net cash outflow on acquisition	2

Goodwill of £5m has arisen on the acquisition of Pesto Restaurants Ltd primarily through the benefits that will be gained from cost synergies that will be obtained on joining the Group and future conversions of other Group outlets.

The brand intangible has been fair valued by reference to an estimated royalty income based on forecast cash flows for Pesto Restaurants Ltd over the expected useful life of 20 years.

Contingent consideration of £8m is shown as a non-current liability within other payables (see note 3.4). Contingent consideration is payable to the previous owners of Pesto Restaurants Ltd, at a level dependent on the financial performance of that business over the 12 months ending 27 September 2025, and not to exceed £15m. It has been measured at its fair value at the acquisition date based on trading forecast and discounted at a risk-free rate.

Contingent consideration is measured in line with the Group's accounting policy for business combinations (see note 3.6). It will be re-measured at subsequent reporting dates, as a non-measurement period adjustment, with the corresponding gain or loss being recognised in the income statement.

Pesto Restaurants Ltd has contributed £8m to revenue and £1m to the Group's operating profit for the period between acquisition date and the balance sheet date. If Pesto Restaurants Limited had been included as a subsidiary since the start of the financial period, it would have contributed £20m revenue and £2m to the Group's operating profit.

In the prior year the Group completed the acquisition of 3Sixty Restaurants Limited. In August 2018, the Group acquired 40% of the share capital of 3Sixty Restaurants Limited for £4m, together with a put and call option that would enable the Group to purchase the remaining 60% share capital at a future date. On 18 April 2023, the Group exercised the call option, resulting in the acquisition of the remaining 60% of share capital of 3Sixty Restaurants Limited, for £17m, with the purchase completing on 18 June 2023. The date of the option exercise, 18 April 2023, was considered to be the date at which control passed to the Group, and therefore consolidation took place from that date.

	Fair value on acquisition £m
Consideration:	
Cash consideration for purchase of the remaining 60% interest	17
Less: cash and cash equivalents acquired	(5)
Net cash outflow on acquisition	12
Plus: Fair value of the existing 40% interest at acquisition	12
Less: settlement of pre-existing contracts	(3)
Net consideration	21

At acquisition, the carrying value of the investment in 3Sixty Restaurants Limited of £7m was revised to fair value of £12m, with a gain of £5m recognised as a separately disclosed item within the income statement (see note 2.2).

In addition, the pre-existing property leases that existed between the Group and 3Sixty Restaurants Limited were treated as settled at the acquisition date, with a resulting £3m loss recognised as a separately disclosed item within the income statement (see note 2.2).

5.2 Related party transactions

Key management personnel

Employees of the Mitchells & Butlers plc 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:

	2024 52 weeks £m	2023 53 weeks £m
Short-term employee benefits	**7**	6

Movements in share options held by the Directors of Mitchells & Butlers plc are summarised in the Report on Directors' remuneration in the information labelled as audited by KPMG on pages 92 to 108.

Associate companies

The Group held a number of property lease agreements with its associate companies, 3Sixty Restaurants Limited and Fatboy Pub Company Limited. As disclosed in note 5.1, 3Sixty Restaurants Limited was acquired during the prior period and from 18 April 2023 is treated as a subsidiary under control of the Group. Disclosures below for 3Sixty Restaurants Limited relate to the period up to 18 April 2023 only.

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

	3Sixty Restaurants Limited		Fatboy Pub Company Limited	
	2024 52 weeks £000	2023 53 weeks £000	**2024 52 weeks £000**	2023 53 weeks £000
Rent charged	**–**	640	**128**	100
Sales of goods and services	**–**	419	**12**	4
	–	1,059	**140**	104

The balance due from Fatboy Pub Company at 28 September 2024 was £14,000 (2023 £10,000), net of a provision of £nil (2023 £179,000).

Related parties

During the period, Mitchells & Butlers Retail Limited entered an option arrangement with Tottenham Hotspur Football Co Limited (THFC), a related party, to sell the company's leasehold interest in a trading site. THFC paid an agreed amount to the company under the option agreement. Should the option under the option agreement be exercised, THFC would pay a further amount to acquire the site at the fair market value at the time the option agreement was entered into.

Notes to the consolidated financial statements continued

Section 5 – Other notes continued

5.3 Subsidiaries and associates

Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Mitchells & Butlers plc is the ultimate controlling party and 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	Registration Number	Nature of business
Principal operating subsidiaries			
Mitchells & Butlers Retail Limited	England and Wales	00024542	Leisure retailing
Mitchells & Butlers Retail (No. 2) Limited	England and Wales	03959664	Leisure retailing
Ha Ha Bar & Grill Limited	England and Wales	06295359	Leisure retailing
Orchid Pubs & Dining Limited	England and Wales	06754332	Leisure retailing
ALEX Gaststätten Gesellschaft mbH & Co KG	Germany		Leisure retailing
Pesto Restaurants Ltd	England and Wales	05162378	Leisure retailing
Midco 1 Limited	England and Wales	05835640	Property leasing company
Mitchells & Butlers Leisure Retail Limited	England and Wales	01001181	Service company
Mitchells & Butlers Germany GmbH[ac]	Germany		Service company
Mitchells & Butlers Finance plc	England and Wales	04778667	Finance company
Other subsidiaries			
Mitchells & Butlers (Property) Limited[b]	England and Wales	01299745	Property management
Standard Commercial Property Developments Limited[b]	England and Wales	00056525	Property development
Mitchells & Butlers Holdings (No.2) Limited[a,b]	England and Wales	06475790	Holding company
Mitchells & Butlers Holdings Limited[b]	England and Wales	03420338	Holding company
Mitchells & Butlers Leisure Holdings Limited[b]	England and Wales	02608173	Holding company
Mitchells & Butlers Retail Holdings Limited	England and Wales	04887979	Holding company
Ego Restaurants Holdings Limited	England and Wales	06425958	Non-trading
Old Kentucky Restaurants Limited	England and Wales	00465905	Trademark ownership
Mitchells & Butlers (IP) Limited[b]	England and Wales	04885717	Dormant
Mitchells & Butlers Retail Property Limited[a,b]	England and Wales	06301758	Non-trading
Mitchells and Butlers Healthcare Trustee Limited[b]	England and Wales	04659443	Healthcare trustee
ALEX Gaststätten Immobiliengesellschaft mbH[c]	Germany		Property management
ALL BAR ONE Gaststätten Betriebsgesellschaft mbH[c]	Germany		Leisure retailing
ALEX Alsterpavillon Immobilien GmbH & Co KG[c]	Germany		Property management
ALEX Alsterpavillon Management GmbH[c]	Germany		Management company
ALEX Gaststätten Management GmbH[c]	Germany		Management company
Miller & Carter Gaststätten Betriebsgesellschaft mbH[c]	Germany		Leisure retailing
Browns Restaurant (Brighton) Limited[d]	England and Wales	01564302	Dormant
Browns Restaurant (Bristol) Limited[d]	England and Wales	02351724	Dormant
Browns Restaurant (Cambridge) Limited[d]	England and Wales	01237917	Dormant
Browns Restaurant (London) Limited[d]	England and Wales	00291996	Dormant
Browns Restaurant (Oxford) Limited[d]	England and Wales	01730727	Dormant
Browns Restaurants Limited[d]	England and Wales	01001320	Dormant
Lander & Cook Limited[d]	England and Wales	11160005	Dormant
3Sixty Restaurants Limited[e]	England and Wales	07540663	Holding company

a. Shares held directly by Mitchells & Butlers plc.
b. These companies are exempt from the requirement to prepare individual audited financial statements in respect of the 52 week period ended 28 September 2024 by virtue of sections 479A and 479C of the Companies Act 2006.
c. The German subsidiary companies are consolidated on the basis of their reporting period, being the year ending 30 September 2024 (2023 30 September 2023).
d. These companies are exempt from the requirement to prepare and file individual financial statements in respect of the 52 week period ended 28 September 2024 by virtue of sections 394A and 448A of the Companies Act 2006.
e. 3Sixty Restaurants Limited ceased trading during the year following the hive-up of its business and assets to Mitchells & Butlers Retail (No. 2) Limited, its parent company.

All companies registered in England and Wales operate within the United Kingdom. The registered office for these companies is 27 Fleet Street, Birmingham, B3 1JP.

All companies registered in Germany operate solely within Germany. The registered office for these companies is Adolfstrasse 16, 65185 Wiesbaden.

Associates

Details of the Company's associates, held indirectly, are as follows:

Name of associate	Registered office	Country of incorporation and operation	Country of operation	Nature of business	Proportion of ownership interest %	Proportion of voting power interest %
Fatboy Pub Company Limited	Ampney House, Falcon Close, Quedgeley, Gloucester, GL2 4LS	England and Wales	United Kingdom	Leisure retailing	25	25

Mitchells & Butlers plc Company financial statements

Company balance sheet

28 September 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Investments in subsidiaries	5	**1,966**	1,866
Amounts owed by subsidiary undertakings	6	**384**	430
Pension surplus	4	**164**	–
Deferred tax asset	9	**–**	10
		2,514	2,306
Current assets			
Trade and other receivables	6	**206**	205
Cash and cash equivalents		**47**	21
		253	226
Current liabilities			
Pension liabilities	4	**(1)**	(1)
Borrowings	8	**(4)**	(23)
Trade and other payables	7	**(427)**	(315)
		(432)	(339)
Non-current liabilities			
Pension liabilities	4	**(24)**	(21)
Deferred tax liabilities	9	**(31)**	–
		(55)	(21)
Net assets		**2,280**	2,172
Equity			
Called up share capital	10	**51**	51
Share premium account	10	**357**	357
Capital redemption reserve		**3**	3
Own shares held	10	**(9)**	(5)
Retained earnings		**1,878**	1,766
Total equity		**2,280**	2,172

The Company reported a loss for the 52 weeks ended 28 September 2024 of £16m (53 weeks ended 30 September 2023 loss of £16m).

The Company financial statements were approved by the Board and authorised for issue on 26 November 2024.

They were signed on its behalf by:

Tim Jones
Chief Financial Officer

The accounting policies and the notes on pages 182 to 185 form an integral part of these Company financial statements.

Registered Number: 04551498

Company statement of changes in equity

For the 52 weeks ended 28 September 2024

	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
At 24 September 2022	51	357	3	(5)	1,744	2,150
Loss after taxation	–	–	–	–	(16)	(16)
Remeasurement of pension liability	–	–	–	–	42	42
Deferred tax on remeasurement of pension liability	–	–	–	–	(9)	(9)
Total comprehensive income	–	–	–	–	17	17
Credit in respect of employee share schemes	–	–	–	–	5	5
At 30 September 2023	51	357	3	(5)	1,766	2,172
Loss after taxation	–	–	–	–	(16)	(16)
Remeasurement of pension liability	–	–	–	–	166	166
Deferred tax on remeasurement of pension liability	–	–	–	–	(42)	(42)
Total comprehensive income	–	–	–	–	108	108
Purchase of own shares	–	–	–	(7)	–	(7)
Release of own shares	–	–	–	3	(3)	–
Credit in respect of employee share schemes	–	–	–	–	7	7
At 28 September 2024	**51**	**357**	**3**	**(9)**	**1,878**	**2,280**

Details of each reserve are provided in note 4.7 to the consolidated financial statements.

Notes to the Mitchells & Butlers plc Company financial statements

1. Basis of preparation

Basis of accounting

These Company 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 IFRS 2 Share-based Payments, requirements of IFRS 7 Financial Instruments: Disclosures, presentation of a cash flow statement, IAS 36 Impairment of Assets, standards not yet effective and IAS 24 Related Party Disclosures. Where required, equivalent disclosures are given in the consolidated financial statements.

The Company 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.

Share options and share awards are granted to employees of the Mitchells & Butlers Group, by the Company. The Company accounts for share-based payments, in line with the policy disclosed in note 4.6 of the consolidated financial statements. The Company's income statement charge in respect of share-based payments represents the charge for options of employees of the Company. Other companies within the Group are recharged an amount relating to their employees.

Going concern

The Directors have adopted the going concern basis in preparing these financial statements, as described in section 1 of the consolidated financial statements.

Accounting judgements and sources of estimation uncertainty

The accounting judgements and estimates of the Company are considered alongside those of the Group. The key judgements and sources of estimation uncertainty of the Company are: the recognition of the pension surplus described in note 4.5 of the consolidated financial statements; the determination of appropriate cash flow forecasts for the investment impairment review described in note 5; and the assessment of expected credit loss on amounts owed by subsidiary undertakings as described in note 6.

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.

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 loss after tax of £16m (2023 loss of £16m), less dividends of £nil (2023 £nil).

Audit remuneration

Auditor's remuneration for audit services to the Company was £30,000 (2023 £30,000). 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

	2024 52 weeks	2023 53 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 Report on Directors' remuneration in the information labelled as audited by KPMG on pages 103 to 110.

The charge recognised for share-based payments in the period is £2m (2023 £1m).

4. Pensions

Accounting policy

The accounting policy for pensions is disclosed in the consolidated financial statements in note 4.5.

Pension assets and liabilities

At 28 September 2024 the Company's pension liability was £25m (2023 £22m). Of this amount, £1m (2023 £1m) is a current liability and £24m (2023 £21m) is a non-current liability.

At 28 September 2024 the Company's pension surplus was £164m (2023 £nil).

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 167 to 171.

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. The value of these investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable, or that there is evidence that past impairments may be reversed. Impairment reviews are performed by comparing the recoverable amount with carrying value. Recoverable amount is deemed as being either future discounted cash flows where the subsidiary is a trading entity or net asset value where the subsidiary has no trading assets.

	Investments in subsidiary undertakings £m
Cost	
At 24 September 2022	3,745
Additions	–
At 30 September 2023	3,745
Additions[a]	100
At 28 September 2024	**3,845**
Provision	
At 24 September 2022	1,879
Impairment	–
At 30 September 2023	1,879
Impairment	–
At 28 September 2024	**1,879**
Net book value	
At 28 September 2024	**1,966**
At 30 September 2023	1,866
At 24 September 2022	1,866

a. During the period the Company subscribed for 1 ordinary share, of £1 nominal value, at a subscription price of £100m each in Mitchells & Butlers Holdings (No.2) Limited

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. In addition, the Company has an indirect investment in an associate company through subsidiary undertakings.

Certain subsidiary companies are exempt from the requirement to prepare individual audited financial statements in respect of the 52 week period ended 28 September 2024 by virtue of sections 479A and 479C of the Companies Act 2006. In addition, certain other companies are exempt from the requirement to prepare and file individual financial statements in respect of the 52 week period ended 28 September 2024 by virtue of sections 394A and 448A of the Companies Act 2006.

For further details, see note 5.3 of the consolidated financial statements for a full list of subsidiaries and associates.

Notes to the Mitchells & Butlers plc Company financial statements continued

5. Investments in subsidiaries continued

Impairment review

Investments in trading subsidiaries have been tested for impairment using pre-tax forecast cash flows, discounted by applying a pre-tax discount rate of 11.00% (2023 11.00%) and a long-term growth rate of 2.0% (2023 2.0%).

The long-term growth rate is based on up-to-date economic data points and for consistency with the overall Group profit forecast. No further impairment has been recognised as a result of this review in the current or prior period, and there are no triggers to indicate any impairment should be reversed.

For the investment impairment review, judgement has been applied to determine the most appropriate forecast to use as a result of the impact of cost inflation on site profits. Forecasts for cash flows of trading subsidiaries have been based on the overall Group forecast for FY 2025 to 2027 that was in place at the balance sheet date. The assumptions are consistent with those used in the impairment review performed at a cash-generating unit level as disclosed in the consolidated financial statements in note 3.3. The assessment is not sensitive to these key assumptions.

6. Trade and other receivables

	2024 £m	2023 £m
Non-current		
Amounts owed by subsidiary undertakings	**384**	383
Defined benefit pension blocked accounts[a]	**–**	47
	384	430

	2024 £m	2023 £m
Current		
Amounts owed by subsidiary undertakings	**192**	204
Defined benefit pension blocked accounts[a]	**12**	–
Prepayments	**2**	1
	206	205

a. Contributions to the MABEPP scheme have been paid into a blocked account since the scheme buy-in that took place during the year ended 24 September 2022 and are expected to be repaid following the scheme buy-out (2023 £12m in respect of the MABEPP blocked account and £35m in respect of the MABPP blocked account, since repaid) (see note 4.5 to the consolidated financial statements for further details).

Amounts owed by subsidiary undertakings are repayable on demand. However, £384m (2023 £383m) of these amounts are disclosed as non-current as they are not expected to be settled within the next twelve months. 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.

Critical accounting judgements

Management has applied judgement when assessing the expected credit loss (ECL) on amounts owed by subsidiary undertakings. An assessment of the future trading cash flows and asset values of the subsidiaries has been made which also considers intercompany transactions between group companies. As a result of this assessment, no ECL has been recognised in the current period as it is immaterial.

The Directors consider that the carrying value of amounts owed by subsidiary undertakings approximately equates to their fair value.

7. Trade and other payables

Current

	2024 £m	2023 £m
Amounts owed to subsidiary undertakings[a]	**425**	313
Accrued charges	**1**	–
Other payables	**1**	2
	427	315

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 4.1.

Borrowings can be analysed as follows:

	2024 £m	2023 £m
Current		
Bank overdraft	**4**	23
Total borrowings	**4**	23

Unsecured revolving credit facility

The Company holds an uncommitted gross overdraft facility of £50m (2023 £50m) as part of the Group's notional pooling arrangements with a net facility limit of £5m (2023 £5m) across the participating Group companies. The amount drawn at 28 September 2024 is £4m (2023 £23m).

9. Taxation

Accounting policy

The accounting policy for taxation is disclosed in the consolidated financial statements in note 2.4.

Deferred tax assets/(liabilities)

Movements in the deferred tax assets and liabilities can be analysed as follows:

	£m
At 24 September 2022	19
Charged to other comprehensive income – pensions	(9)
At 30 September 2023	10
Charged to income statement – tax losses	–
Credited to income statement – pensions	1
Charged to other comprehensive income – pensions	(42)
At 28 September 2024	**(31)**

Analysed as tax timing differences related to:

	2024 £m	2023 £m
Pensions	**(35)**	5
Tax losses[a]	**3**	4
Share-based payments	**1**	1
Deferred tax (liability)/asset	**(31)**	10

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 and share premium

Details of the amount and nominal value of called up and fully paid share capital and share premium 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.

Own shares held

Details of the amount of own shares held 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 profit 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 an effective comparison of the Group's trading performance from one period to the next. Adjusted profit 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.

FY 2023 was a 53-week period, in order to aid comparability, we have provided a 52-week result. The 52-week result is derived by removing the 53rd week of the financial year. FY 2024 was a 52-week year.

APMs used to explain and monitor Group performance include:

APM	Definition	Source
EBITDA	Earnings before interest, tax, depreciation and amortisation, before movements in the valuation of the property portfolio.	Group income statement
Adjusted EBITDA	EBITDA before separately disclosed items is used to calculate net debt to EBITDA.	Group income statement
52-week Adjusted EBITDA	EBITDA on a 52-week basis, adjusted to remove the 53rd week of the period, before separately disclosed items is used to calculate net debt to EBITDA.	APM D
Operating profit	Earnings before interest and tax.	Group income statement
Adjusted operating profit	Operating profit before separately disclosed items.	Group income statement
52-week adjusted operating profit	Operating profit before separately disclosed items adjusted to remove the 53rd week of the period.	APM B
52-week revenue	Revenue adjusted to remove the 53rd week of the year.	APM B
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.	APM A
52-week 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. Adjusted to remove 53rd week of the period.	APM A
Adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items.	Note 2.5
52- week adjusted earnings per share (EPS)	Earnings per share using profit before separately disclosed items adjusted for 53rd week of period.	APM C
Net debt	Net debt comprises cash and cash equivalents, cash deposits net of borrowings and discounted lease liabilities. Presented on a constant currency basis due to the inclusion of the fixed exchange rate component of the cross currency swap.	Note 4.4
Net debt : Adjusted EBITDA	The multiple of net debt including lease liabilities, as per the balance sheet compared against 52-week EBITDA before separately disclosed items, which is a widely used leverage measure in the industry.	APM D
Net debt : Adjusted 52-week EBITDA	The multiple of net debt including lease liabilities, as per the balance sheet compared against 52-week EBITDA before separately disclosed items, which is a widely used leverage measure in the industry. Adjusted for 53rd week of the period.	APM D
FY 2023 52-week reconciliation	A 53-week accounting period occurs every five years. FY 2023 was a 53-week period and therefore presentation of a 52-week basis provides useful comparability to previous financial years.	APM E
Return on capital	Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Incremental EBITDA reflects the increase in profit following investment, with the pre-investment profit being measured as the average annual profit prior to investment. Return on investment is measured for four years following investment. Measurement commences three periods following the opening of the site.	APM F

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. This widely used industry measure provides better insight into the trading performance than total revenue which is impacted by acquisitions and disposals. Like-for-like sales is provided on a 52-week basis.

	Source	**2024 £m**	2023 £m	Year-on-year %
Reported revenue	Income statement	**2,610.0**	2,503.0	4.3%
Adjust for 53rd week	APM E	**–**	(44.0)	–
Less 52-week non like-for-like sales and income		**(254.1)**	(221.2)	(14.9%)
52-week like-for-like sales		**2,355.9**	2,237.8	5.3%

Drink sales

	Source	**2024 £m**	2023 £m	Year-on-year %
Reported drink revenue	Note 2.3	**1,132.0**	1,092.0	3.7%
Adjust for 53rd week		**–**	(20.0)	–
Less 52-week non like-for-like drink sales		**(95.0)**	(83.7)	(13.5%)
52-week drink like-for-like sales		**1,037.0**	988.3	4.9%

Food sales

	Source	**2024 £m**	2023 £m	Year-on-year %
Reported food revenue	Note 2.3	**1,385.0**	1,323.0	4.7%
Adjust for 53rd week		**–**	(23.0)	–
Less 52-week non like-for-like food sales		**(141.7)**	(119.6)	(18.5%)
52-week food like-for-like sales		**1,243.3**	1,180.4	5.3%

Other sales

	Source	**2024 £m**	2023 £m	Year-on-year %
Reported other revenue	Note 2.3	**93.0**	87.8	5.9%
Adjust for 53rd week		**–**	(1.5)	–
Less non like-for-like other sales		**(17.4)**	(17.2)	1.2%
52 week other like-for-like sales		**75.6**	69.1	9.4%

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 nature. Excluding these items allows a more effective comparison of the Group's trading performance from one period to the next.

	Source	**2024 £m**	2023 £m	Year-on-year %
Operating profit	Income statement	**300**	98	206.1%
Separately disclosed items	Income statement	**12**	128	90.6%
Adjusted operating profit	Income statement	**312**	226	38.1%
Adjusted operating profit 53rd week	APM E	**–**	(5)	–
52-week adjusted operating profit		**312**	221	41.2%
Reported revenue	Income statement	**2,610**	2,503	4.3%
Revenue 53rd week	APM E	**–**	(44)	–
52-week revenue		**2,610**	2,459	6.1%
52-week adjusted operating margin		**12.0%**	9.0%	3.0ppts

Alternative performance measures continued

C. Adjusted earnings/(loss) 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 nature. Excluding these items allows a more effective comparison of the Group's trading performance from one period to the next.

	Source	2024 £m	2023 £m	Year-on-year %
Profit/(loss) for the period	Income statement	**149**	(4)	3825.0%
Add back separately disclosed items	Income statement	**8**	100	(92.0%)
Adjusted profit		**157**	96	63.5%
Adjusted profit 53rd week		**–**	(3)	
52-week adjusted profit		**157**	93	68.8%
Basic weighted average number of shares	Note 2.5	**595**	595	-%
Adjusted earnings per share		**26.4p**	16.1p	–
52-week adjusted earnings per share		**26.4p**	15.6p	69.2%

D. Net Debt: 52-week adjusted EBITDA

The multiple of net debt as per the balance sheet compared against 52-week EBITDA before separately disclosed items which is a widely used leverage measure in the industry. From FY 2020, leases are included in net debt following adoption of IFRS 16. Adjusted 52-week EBITDA is used for this measure to prevent distortions in performance resulting from separately disclosed items.

	Source	2024 £m	2023 £m	Year-on-year %
Net Debt including leases	Note 4.4	**1,436**	1,633	(12.1%)
EBITDA	Income statement	**444**	362	22.1%
Add back separately disclosed items	Income statement	**(2)**	(3)	(166.7%)
EBITDA 53rd week	APM E	**–**	(7)	–
Adjusted 52-week EBITDA		**442**	352	26.1%
Net debt : Adjusted 52-week EBITDA		**3.2**	4.6	

E. FY 2023 52-week reconciliation

A 53-week accounting period occurs every five years. FY 2023 was a 53-week period and therefore presentation of a 52-week basis provides useful comparability to previous financial years.

	Source	2023 52 weeks	2023 Week 53	2023 53 weeks
Revenue	Income statement	£2,459m	£44m	£2,503m
Adjusted EBITDA	Income statement	£352m	£7m	£359m
Adjusted operating profit	Income statement	£221m	£5m	£226m
Adjusted PBT	Income statement	£112m	£3m	£115m
Adjusted profit for the period	Income statement	£93m	£3m	£96m
Adjusted EPS	Income statement	15.6p	0.5p	16.1p

F. Return on capital

Return generating capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Return on investment is measured by incremental site EBITDA following investment expressed as a percentage of return generating capital. Return on investment is measured for four years following investment. Measurement of return commences three periods following the opening of the site.

Return on expansionary capital

	Source	2023 FY 2020–23 £m	2024 FY 2021–23 £m	2024 FY 2024 £m	2024 Total £m
Maintenance and infrastructure		158	120	58	**178**
Remodel – refurbishment		188	134	69	**203**
Non-expansionary capital		346	254	127	**381**
Remodel expansionary		9	6	2	**8**
Conversions and acquisitions[a]		25	27	16	**43**
Expansionary capital for return calculation		34	33	18	**51**
Expansionary capital open < 3 periods pre year end		40	1	6	**7**
Freehold purchases			23	3	**26**
Total capital 52-week	Cash flow	420	311	154	**465**
Adjusted 52-week EBITDA	Income statement	1,146	893	444	**1,337**
Non-incremental EBITDA		1,140	886	441	**1,327**
Incremental EBITDA		6.2	7.0	2.7	**9.7**
Return on expansionary capital		19%	21%	15%	**19.1%**

a. Conversion and acquisition capital is net of capex incurred for projects which have been open for less than three periods pre year end.

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* 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.

Annual General Meeting	January 2025
Announcement of interim results	May 2025
Pre-close trading update	September 2025
2025 final results announcement	November 2025

In line with our sustainability strategy to lessen the negative impact of our business, we have reduced the number of Annual Reports we have printed this year. Once that supply is exhausted, we will not print any further copies, though the Annual Report will be available on our website and can be printed from there if required, using the following link: www.mbplc.com/investors/annualreport

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