

This document is important and requires your immediate attention

If you are in any doubt as to what action you should take, you should consult your stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Mitchells & Butlers plc, please pass this document and the accompanying Form of Proxy to the stockbroker or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

A Form of Proxy for the Annual General Meeting is enclosed and should be completed and returned so as to reach the Company's Registrar by no later than 11am on Tuesday, 31 January 2006. Completion and return of the Proxy will not prevent you from attending and voting at the Meeting in person, should you so wish. Alternatively you can register your proxy vote electronically, either by means of a website provided by the Company's Registrar, www.sharevote.co.uk, or by using the service provided by CRESTCo. Further details are given in the notes to this document.



Mitchells & Butlers plc Notice of annual general meeting

to be held at
The Queen Elizabeth II Conference Centre,
Broad Sanctuary, Westminster, London SW1P 3EE,
on Thursday, 2 February 2006, at 11am.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mitchells & Butlers plc will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Thursday, 2 February 2006, at 11am, or at any adjournment thereof, for the following purposes:

Resolutions

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 7 and 10, 11 and 17 will be proposed as ordinary resolutions and numbers 8 and 9 and 12 to 16 as special resolutions.

- 1 To receive the Company's financial statements for the year ended 1 October 2005, together with the reports of the Directors and auditors.
- 2 To approve the Remuneration Report for the year ended 1 October 2005.
- 3 To declare a final dividend on the ordinary shares.
- 4 To reappoint (a) Tim Clarke, (b) George Fairweather and (c) Tony Hughes as Directors of the Company.
- 5 To reappoint Ernst & Young LLP as auditors of the Company until the next general meeting at which accounts are to be laid.
- 6 To authorise the Audit Committee of the Board to agree the auditors' remuneration.

7 Allotment of shares:

"THAT the Directors be generally and unconditionally authorised pursuant to, and in accordance with, Section 80 of the Companies Act 1985 and within the terms of Article 14 of the Articles of Association of the Company to exercise, during the period ending on the date of the Annual General Meeting in 2007 or 2 May 2007, whichever is the earlier, all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £11,767,833."

8 Disapplication of pre-emption rights:

"THAT during the period ending on the date of the Annual General Meeting in 2007 or on 2 May 2007, whichever is the earlier, the Directors be and are hereby empowered (a) to allot equity securities wholly for cash pursuant to any authority for the time being in force under Section 80 of the Companies Act 1985 and within the terms of Article 14 of the Articles of Association of the Company and (b) to allot equity securities (as defined in Section 94(3A) of the Companies Act 1985):

- i in connection with a rights issue (as defined by Article 14.5.1); and
- ii otherwise than in connection with a rights issue, up to an aggregate nominal amount of £1,765,180

as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment and shall be in substitution for all previous disapplications of Section 89 of the Act, which shall cease to have effect without prejudice to any allotment of securities pursuant thereto."

9 Authority to purchase own shares:

"THAT, subject to and in accordance with Article 11 of the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 7½ pence each in the capital of the Company (ordinary shares) on such terms as the Directors think fit, provided that:

- i the maximum aggregate number of ordinary shares hereby authorised to be purchased is 49,840,680;
- ii the minimum price which may be paid for each ordinary share is 7½ pence per share;
- iii the maximum price which may be paid for each ordinary share is an amount equal to the higher of: (a) 105 per cent of the average of the middle market quotations for an ordinary share, as derived from The London Stock Exchange Daily Official List, for the five business days before the day on which such share is purchased; and (b) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and
- iv the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or on 2 May 2007, whichever is earlier (except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which is executed wholly or partly after such date), unless such authority is renewed prior to such time."

10 Short Term Deferred Incentive Plan rules:

"THAT, the amendments to the rules of the Short Term Deferred Incentive Plan (the 'STDIP'), summarised in the explanatory notes to the Notice dated 29 November 2005 of this Annual General Meeting and shown in the copy of the rules of the STDIP produced to the meeting and initialled by the Chairman for identification purposes only, be and are hereby approved and that the Directors be authorised to do all that is necessary to give effect to those amendments."

11 Performance Restricted Share Plan rules:

"THAT, the amendments to the rules of the Performance Restricted Share Plan (the 'PRSP'), summarised in the explanatory notes to the Notice dated 29 November 2005 of this Annual General Meeting and shown in the copy of the rules of the PRSP produced

to the meeting and initialled by the Chairman for identification purposes only, be and are hereby approved and that the Directors be authorised to do all that is necessary to give effect to those amendments.”

12 Indemnity powers:

“THAT Article 162 of the Company’s Articles of Association be substituted by the following:

Except to the extent prohibited or restricted by the Statutes, but without prejudice to any indemnity to which a Director, the Secretary or any other officer may otherwise be entitled, every Director, Secretary or other officer (excluding an auditor) of the Company may be indemnified out of the assets of the Company against all liabilities incurred by him in the actual or purported execution or discharge of his duties or the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.”

13 Redeemable shares conversion:

i “THAT the unissued share capital divided into two Redeemable Deferred Shares of 1 penny each and one Redeemable Preference Share of £50,000 be converted into ordinary shares of 7½ pence each and that the authorised ordinary share capital be amended accordingly.”

ii “THAT Article 3 of the Company’s Articles of Association be amended by the deletion of the words:

The Redeemable Deferred Shares will have attached thereto the rights and privileges and be subject to the limitations and restrictions specified in Article 4. The Redeemable Preference Share will have attached thereto the rights and privileges and be subject to the limitations and restrictions specified in Article 5.”

iii “THAT Articles 4 and 5 of the Company’s Articles of Association be removed and be no longer part of the Company’s Articles of Association.”

iv “THAT Article 6 of the Company’s Articles of Association be amended by the deletion of the words:

... and Article 5.6.2.”

14 Borrowing powers:

“THAT the definition “share capital and consolidated reserves” in the Company’s Articles of Association be amended by the addition of:

(viii) excluding the effect on the reserves of the Company of any retirement benefits scheme surplus or deficit (net of related deferred tax) which would otherwise be reflected in accordance with any applicable accounting standard.”

15 Removal of provisions relating to historical demerger arrangements:

“THAT Article 163 of the Company’s Articles of Association be removed and be no longer part of the articles of the Company and that the Company’s Articles of Association be renumbered and all cross references be altered to reflect the removal of Article 163 and, conditional upon the passing of resolution 13, of Articles 4 and 5 of the Company’s Articles of Association.”

16 Provisions to limit ownership of shares by US resident shareholders:

“THAT the following be added as a new Article 161 of the Company’s Articles of Association and that the subsequent articles of the Company’s Articles of Association be renumbered and all cross references be altered to reflect such addition:

161 SALE OF SHARES OF RELEVANT US HOLDERS

161.1 Purpose and interpretation

161.1.1 The purpose of this article is to enable the Company to reduce the number of Relevant US Holders (as defined in Article 161.1.2(f)) of its shares, so as to enable the Company to suspend its obligations under the US Securities Exchange Act of 1934 (the “**Exchange Act**”), and to prevent any such obligations from arising again in the future.

161.1.2 For the purpose of this article:

(a) “**interest**” in relation to shares, means any interest which would be taken into account in determining for the purposes of Part VI of the Act whether a person has a notifiable interest in a share (including any interest which he would be taken as having for those purposes) and applying Section 212(5) of the Act and “**interested**” shall be construed accordingly;

(b) “**Register of Relevant US Holders**” means the Register of Relevant US Holders to be maintained in accordance with Article 161.4;

(c) “**Relevant Nominee US Holder**” means (a) a person who holds shares in the Company and all or part of whose holding is held as nominee for or on behalf of a person resident in the US in any manner described in Rule 12g 3-2(a)(1) under the Exchange Act or in any amendment to such rule or equivalent rule promulgated by the SEC under the Exchange Act, provided that the number of shares so held as nominee does not exceed 20,000 and (b) a person who appears, at any time, to the Directors to fall within subparagraph (a);

(d) **“Relevant Registered US Holder”** means (a) a person resident in the US and who holds no more than 20,000 shares in the Company in any manner described in Rule 12g 3-2(a)(1) under the Exchange Act or in any amendment to such rule or equivalent rule promulgated by the SEC under the Exchange Act and (b) a person who appears, at any time, to the Directors to fall within subparagraph (a);

(e) **“Relevant Shares”** means shares in the Company which are held by Relevant US Holders in any manner described in Rule 12g 3-2(a)(1) under the Exchange Act or in any amendment to such rule or equivalent rule promulgated by the SEC under the Exchange Act or which are deemed pursuant to this article to be so held;

(f) **“Relevant US Holders”** means Relevant Registered US Holders and Relevant Nominee US Holders;

(g) **“Required Disposal”** means in relation to any Relevant Shares a disposal or disposals of such shares or interests therein which will result in such shares ceasing to be Relevant Shares;

(h) **“SEC”** means the US Securities and Exchange Commission; and

(i) **“US”** means the United States of America, its territories and possessions, any state of the United States of America, and the District of Columbia.

161.2 Disclosure notices

161.2.1 The Directors may by notice in writing require any member or other person appearing to be interested or appearing to have been interested in shares in the Company to disclose to the Company in writing such information as the Directors shall require relating to the ownership of or interests in the shares in question as lies within the knowledge of such member or other person (supported if the Directors so require by a statutory declaration and/or by independent evidence) including (without prejudice to the generality of the foregoing) any information which the Company is entitled to seek pursuant to Section 212 of the Act and any information which the Directors shall deem necessary or desirable in order to determine whether any shares are Relevant Shares.

161.2.2 Whether or not a notice pursuant to Article 161.2.1 has been given, the Directors may by notice in writing require any member or other person appearing to be interested or appearing to have been interested in shares in the Company to show to the satisfaction of the Directors that the shares in question are not Relevant Shares. Any person on whom such a notice has been served and any other person who is interested in such shares may within 14 days of such notice (or such longer period as the Directors may consider reasonable) make representations to the Directors as to why such shares should not be treated as Relevant Shares but if, after considering any such representations and such other information as seems to them relevant, the Directors believe such shares to be Relevant Shares, the Directors may determine that such shares shall be deemed to be Relevant Shares and they shall thereupon be treated as such for all purposes of this article.

161.2.3 The Directors may give a notice pursuant to Article 161.2.1 or 161.2.2 or both of them at any time and the Directors may give one or more than one such notice to the same member or other person in respect of the same shares.

161.2.4 Article 72 (Restrictions on voting in particular circumstances) shall have effect for the purposes of this Article 161.2 as if any reference in that article to a notice under Section 212 of the Act were also a reference to a notice under Article 161.2.1.

161.2.5 Nothing contained in this Article 161.2 shall limit the power of the Directors under Section 216 of the Act.

161.3 Notification obligation

Each member shall notify the Company immediately upon becoming aware that any shares in which he is interested (a) is or has become a Relevant Share or (b) has ceased to be a Relevant Share.

161.4 Register of Relevant US Holders

161.4.1 The Directors shall maintain, in addition to the register, a Register of Relevant US Holders, in which there shall be entered particulars of any shares which are or have been deemed to be Relevant Shares. The particulars entered in the Register of Relevant US Holders in respect of any Relevant Share shall comprise, in addition to the name of the holder, the name of any Relevant US Holder or any other person resident in the US interested or who appears to the Directors to be interested in such share and such information as has been supplied to the Directors pursuant to Article 161.2.1 or 161.2.2 or otherwise or, if no such information has been supplied, such information as the Directors consider appropriate.

161.4.2 The Directors shall remove from the Register of Relevant US Holders particulars of any share if there has been furnished to them a declaration (in such form as the Directors may from time to time prescribe) by the holder of such share, together with such other evidence as the Directors may require, that satisfies the Directors that such share is no longer a Relevant Share.

161.5 Required Disposal

161.5.1 The Directors may give notice to a Relevant US Holder calling for a Required Disposal of some or all of the Relevant Shares to be made within 21 days or such longer period as the Directors consider reasonable. The Directors may extend the period in which any such notice is required to be complied with and may withdraw any such notice (whether before or after the expiration of the period referred to) if it appears to them that the shares to which the notice relates are not or are no longer Relevant Shares or in any other circumstances whatsoever, in each case in their absolute discretion.

161.5.2 If a notice given under Article 161.5.1 above has not been complied with in all respects to the satisfaction of the Directors or withdrawn, the Directors shall, so far as they are able, arrange for a Required Disposal of those shares and shall give written notice of such disposal to those persons on whom such notice was served. The holder of the shares duly disposed of and all other persons interested in such shares shall be deemed irrevocably and unconditionally to have authorised the Directors to make such Required Disposal. The manner, timing and terms of any such Required Disposal made or sought to be made by the Directors (including but not limited to the price or prices at which the same is made and the extent to which assurance is obtained that no transferee is or would become a Relevant US Holder) shall be such as the Directors determine (based on advice from bankers, brokers, or other persons the Directors consider appropriate to be consulted by it for the purpose) to be reasonably obtainable having regard to all the circumstances, including but not limited to the number of shares to be disposed of; and the Directors shall not be liable to any person (whether or not a Relevant US Holder) for any of the consequences of reliance on such advice.

161.5.3 For the purpose of effecting any Required Disposal, the Directors may:

(i) authorise in writing any officer or employee of the Company to execute any necessary transfer on behalf of any holder and to do all such acts and things as the Directors consider necessary or expedient to effect the Required Disposal; and/or

(ii) convert any share from uncertificated form to certificated form,

and may enter the name of the transferee in the register in respect of the transferred shares notwithstanding the absence of any share certificate and may issue a new certificate to the transferee, and an instrument of transfer executed by any officer or employee of the Company so authorised by the Directors shall be as effective as if it had been executed by the holder of the transferred shares and the title of the transferee to the transferred shares shall not be affected by any irregularity or invalidity in the proceedings relating to the sale of such shares. The proceeds of the Required Disposal shall be received by the Company or by any person nominated by the Company whose receipt shall be a good discharge for the purchase money and shall be paid (together with interest at such rate as the Directors deem appropriate) to the former holder (or, in the case of joint holders, the first of them named in the Register) upon surrender by him or on his behalf to the Company for cancellation of any certificate in respect of the transferred shares.

161.6 Miscellaneous

161.6.1 Nothing in this article shall require the Directors to assume that any person is a Relevant US Holder unless the information contained in the Register, the registers kept by the Company under Part VI of the Act or the Register of Relevant US Holders appears to the Directors to indicate that such person is a Relevant US Holder or the Directors have reason to believe that such person is a Relevant US Holder, in which circumstances the Directors shall make enquiries in good faith to discover whether any person is a Relevant US Holder.

161.6.2 The Directors shall not be obliged to give any notice otherwise required under this article to any person if they do not know either his identity or his address. The absence of such a notice in those circumstances and any accidental error in or failure to give any notice to any person to whom notice is required to be given under this article shall not prevent the implementation of, or invalidate, any procedure under this article.

161.6.3 Save as otherwise provided in this article, the provisions of these articles applying to the giving of notice of meetings to members shall apply to the giving of any notice required by this article. Any notice required by this article to be given to a person who is not a member, or who is a member whose registered address is not within the United Kingdom and who has not given to the Company an address within the United Kingdom at which notices may be given to him, shall be deemed validly served if it is sent through the post in a prepaid cover addressed to that person at the address (or, if more than one, at one of the addresses), if any, at which the Directors believe him to be resident or carrying on business or to his last known address as shown in the Register. Service or delivery of such notice shall be deemed to be effected at the expiration of 48 hours after the time when the cover containing the same is posted and in proving such service or delivery it shall be sufficient to prove that such cover was properly addressed, stamped and posted.

161.6.4 Any resolution or determination of, or decision or exercise of any discretion or power by, the Directors or any of them or by the chairman of any meeting under or pursuant to the provisions of this article (including without prejudice to the generality of the foregoing as to what constitutes enquiries made in good faith or as to the manner, timing and terms of any Required Disposal made by the Directors under Article 161.5 above) shall be final and conclusive; and any disposal or transfer made, or other thing done, by or on behalf of, or on the authority of, the Directors or any of them pursuant to the foregoing provisions of this article shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Directors shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this article.

161.6.5 Nothing in this Article 161 shall constitute the Relevant US Holders as a separate class.

161.6.6 None of the Company, any Director, any officer or employee appointed by the Directors to effect any Required Disposal and any of the Company's other officers and employees, advisers and agents shall have any liability in connection with any Required Disposal, including without limitation in relation to:

(i) his exercise of discretion as to whether or not to sell or transfer the Relevant Shares;

(ii) the timing of any such sale or transfer and the manner in which such Relevant Shares are sold or transferred; and

(iii) the price obtained for the sale or transfer of such Relevant Shares,

provided that nothing in this Article 161.6.6 shall exclude any liability that any such person may have for fraud or any other matter that cannot be lawfully excluded.

161.6.7 The Company may by ordinary resolution determine that the definitions of "Relevant Nominee US Holder" and "Relevant Registered US Holder" shall take effect as if the number of shares in the Company referred to therein is a number other than 20,000 and following the passing of any such ordinary resolution, this Article 161 shall take effect accordingly.

161.6.8 This article shall apply notwithstanding any provision in any other of these articles which is inconsistent with or contrary to it."

17 Political donations:

"THAT:

- i in accordance with Section 347(c) of the Companies Act 1985, the Company be and is hereby authorised to make donations to EU Political Organisations up to an amount of £50,000 and to incur EU Political Expenditure up to an amount of £50,000; and
- ii in accordance with Section 347(d) of the Companies Act 1985, Mitchells & Butlers Retail Ltd, being a wholly-owned subsidiary of the Company, be and is hereby authorised to make donations to EU Political Organisations up to an amount of £50,000 and to incur EU Political Expenditure up to an amount of £50,000,

provided that the aggregate amount of any such donations and expenditure shall not exceed £50,000 during the period beginning on the passing of this resolution and ending on the date of the Annual General Meeting in 2007 or 2 May 2007, whichever is the earlier."

By order of the Board

Bronagh Kennedy
Company Secretary
29 November 2005

Registered Office:
27 Fleet Street
Birmingham B3 1JP

Explanation of business

This Notice of Meeting contains items of business which are of a technical nature and are therefore explained below.

Resolution 2 – Remuneration Report

Shareholders are given the opportunity by law to vote on whether or not they approve the Remuneration Report and this vote will be in respect of the content of the Remuneration Report and not specific to any Director's level or terms of remuneration.

The full Remuneration Report is contained in the Annual Report and Financial Statements 2005, copies of which have been sent to those shareholders who elected to receive them and are obtainable from the Registered Office of the Company or from the Company's website – www.mbplc.com/investors. A summary of the Remuneration Report is contained in the Annual Review and Summary Financial Statement 2005, which has been sent to all shareholders.

Resolution 4 – Directors

The following Directors, whose biographical details are shown on pages 28 and 29 of the Annual Review and Summary Financial Statement 2005, are standing for reappointment at the Annual General Meeting on 2 February 2006, in accordance with the Articles of Association and each reappointment will be put as a separate resolution. The Board recommends these reappointments to shareholders for the reasons given below:

Tim Clarke

Tim Clarke has been Chief Executive of the Company since April 2003. He is a Director of the British Beer and Pub Association, having been chairman in 2002. He has been operationally responsible for Mitchells & Butlers' business since 1995 and has led its repositioning and growth to become the leading operator of managed pubs and restaurants in the UK. His wealth of knowledge of the licensed retail business is highly regarded. His ability to focus on the strategic development of the Company was instrumental in demerging the Company from Six Continents. His enthusiasm and commitment to the Company make him a most valued member of the Board.

George Fairweather

George Fairweather was appointed to the Board in April 2003 as a Non-Executive Director and he is Group Finance Director of Alliance UniChem Plc. His extensive financial experience equips him well for chairing the Audit Committee. The formal performance evaluation undertaken by the Board during the year confirmed that he is regarded as a respected and committed member of the Board by his colleagues, and his performance continues to be effective and satisfactory.

Tony Hughes

Tony Hughes was appointed to the Board and has been Managing Director, Restaurants since 2000. He has been responsible for driving profitable sales growth within the Restaurant division through operational excellence. A major figure in the industry, his experience, enthusiasm, knowledge and ability to develop and evolve brands and formats to deliver results is exemplary. He brings these skills to the Board, where his deep understanding of the challenges faced by the business has been instrumental in developing its strategy. His contribution is greatly appreciated by his Board colleagues.

Resolution 7 – Allotment of shares

This resolution authorises the Directors to allot ordinary shares up to an aggregate nominal amount of £11,767,833. This is equivalent to 33 per cent of the issued ordinary share capital (excluding shares held in treasury) of the Company as at 29 November 2005. The authority sought at the Annual General Meeting will expire at the conclusion of the next Annual General Meeting or on 2 May 2007, whichever is the earlier. Although the Directors have no present intention of exercising this authority, it is considered prudent to maintain the flexibility it provides. This resolution complies with Institutional Investment Committee guidelines and will replace the authority given to the Directors at the Annual General Meeting in 2005.

As at 29 November 2005 the Company held 2,031,236 ordinary shares in treasury, which represents approximately 0.4 per cent of the total ordinary share capital of the Company in issue as at 29 November 2005.

Resolution 8 – Disapplication of pre-emption rights

It is proposed to renew the authority to the Directors to allot equity securities for cash without first being required to offer such securities to existing shareholders. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to up to £1,765,180 of nominal capital, being 5 per cent of the issued ordinary share capital of the Company as at 29 November 2005 and the authority will expire at the next Annual General Meeting or on 2 May 2007, whichever is the earlier. This resolution complies with Institutional Investment Committee guidelines.

The Directors do not intend to issue more than 7.5 per cent of the issued ordinary share capital of the Company in any rolling three year period without prior consultation with the Institutional Investment Committees.

Resolution 9 – Authority to purchase own shares

The Company is seeking authority to purchase up to 10 per cent of its ordinary shares at, or between, the minimum and maximum prices specified in this resolution. This power would be used only after careful consideration by the Directors, having taken into account market conditions prevailing at that time, the investment needs of the Company, its opportunities for expansion and its overall financial position. The Directors would exercise the authority to purchase ordinary shares only if they considered it to be in the best interest of shareholders and if the purchase could be reasonably expected to result in an increase in earnings per share.

Under the Companies Act 1985, the Company is allowed to hold its own shares in treasury following a buy-back, instead of cancelling them as previously required. Such shares may be resold for cash but all rights attaching to them, including voting rights

and any right to receive dividends are suspended whilst they are held in treasury. If the Board exercises the authority conferred by Resolution 9, the Company will have the option of holding repurchased shares in treasury.

At 29 November 2005, options were outstanding to subscribe for 28 million ordinary shares, representing 5.6 per cent of the issued share capital and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and sought) is used is 6.2 per cent.

The authority sought at the Annual General Meeting will expire at the conclusion of the next Annual General Meeting or on 2 May 2007, whichever is the earlier.

Resolutions 10 and 11 – Amendments to share plan rules

During the year, the Company's Remuneration Committee carried out a comprehensive review of the remuneration of Executive Directors. It was assisted in this process by benefit consultants, Watson Wyatt. The aim of the review was to ensure that the Directors' remuneration packages continued to be closely aligned with the interests of shareholders, and to ensure that Directors would be appropriately rewarded for delivering the Company's strategic goals over the medium to long term. The review sought, where practical, to simplify the remuneration packages whilst continuing to ensure that exceptional performance would be recognised.

The Remuneration Committee concluded that it would simplify the reward structure by discontinuing the Executive Share Option Plan, and that changes made to the remaining plans would be as follows:

The Remuneration Committee decided it should have the flexibility to make an award of shares ('**Dividend Accrued Shares**') which is linked to the value of dividends paid in respect of the shares which have vested at the end of the relevant performance period under the STDIP and PRSP. The aim of this is to improve the alignment of the interests of the executives more closely with shareholders.

If the Remuneration Committee decides that Dividend Accrued Shares should be awarded, the total number of these will relate only to the number of shares which have otherwise vested in respect of the STDIP or PRSP award. The number of Dividend Accrued Shares will be such whole number of shares whose market value (by reference to the middle market quotation of a share taken from the Daily Official List of the London Stock Exchange on or around the date on which the award vests) is as close as possible to, but no greater than, the aggregate gross dividend (in respect of the number of shares which have vested) paid or payable by reference to a record date between the date on which the award was made and the date on which it vests.

The above proposal requires an amendment to the rules of each of the PRSP and the STDIP which shareholders are being asked to approve under the separate Resolutions 10 and 11.

The number of Dividend Accrued Shares would count towards the number of shares which may be allocated under the STDIP or the PRSP (as the case may be) and all the other provisions in the rules (for instance as to cessation of employment and change of control) would apply to the Dividend Accrued Shares as they do to other shares the subject of awards under each of the STDIP and the PRSP.

To enable that exceptional performance can be rewarded the Remuneration Committee would like to make a further amendment to the rules of the STDIP, so as to increase the individual limit in respect of the bonus award from 80 per cent to 100 per cent of basic annual salary.

Shareholders are being asked to approve this amendment to the rules under Resolution 10.

Resolution 12 – Amendment to Directors' indemnity powers

The Company already indemnifies Directors as permitted by the articles. The Companies Audit, Investigations and Community Enterprise Act 2004 ('**CAICE**') permits companies to indemnify Directors against certain liabilities arising in connection with negligence, default, breach of duty or trust in relation to the Company. The Company proposes to indemnify Directors as permitted by CAICE and, accordingly, the wording of the relevant provision in the articles has been amended to reflect best practice in light of the technical provisions of CAICE.

Resolution 13 – Redeemable shares conversion

The redeemable shares (one Redeemable Preference Share of £50,000 and two Redeemable Deferred Shares of 1 penny each) were required to effect the demerger from Six Continents and were redeemed in May 2003. There are now no shares in issue in either category and to simplify the Company's share capital, it has been decided to seek shareholder consent to convert these into ordinary shares. After conversion, the Company's share capital will consist entirely of ordinary shares. Certain consequential amendments to the article are also being proposed to reflect the conversion of these shares and remove all references to the redeemable shares.

Resolution 14 – Borrowing powers

The power of the Directors to borrow money is limited by the articles to three times the Company's share capital and consolidated reserves. The implementation of FRS 17 and International Financial Reporting Standards impacts the way in which companies account for retirement benefit scheme deficits or surpluses. This may have the effect of reducing the Company's borrowing capacity. The proposed amendment would exclude the deficit or surplus in any retirement benefit scheme from the calculation of the Company's consolidated reserves and is intended to maintain the Company's borrowing capacity at the same level as it was prior to the full implementation of FRS 17.

Resolution 15 – Historical demerger arrangements

Certain provisions were included in the articles concerning the operation of the demerger from Six Continents. Now that the demerger has occurred, these are no longer necessary and it is proposed to remove them.

Resolution 16 – Provisions to limit ownership of shares by US resident shareholders

The Company announced on 13 April 2005 that, for the reasons given in that announcement, it intended to terminate its American Depositary Receipt ('**ADR**') programme and to delist voluntarily from the New York Stock Exchange ('**NYSE**'). Accordingly, the ADR programme was terminated on 19 July 2005 and the Company's securities were delisted from the NYSE on 5 August 2005.

The Company also announced on 13 April 2005 that, in view of the increasing costs of maintaining a US registration for non-US companies, it intended to examine ways in which it might terminate its registration under the US Securities Exchange Act of 1934 (the '**Exchange Act**') in due course. The Directors consider that, given the high standards of corporate governance which the Company maintains, the fact that the Company conducts no business in the United States and the stringent legal, regulatory and governance requirements to which it is subject as a UK listed company, there is no significant benefit to the Company in continuing to comply with US reporting obligations arising from its registration under the Exchange Act. Compliance with these obligations, however, involves considerable expense for the Company and a considerable investment of management resources, for instance in reporting the financial results of the Company in US GAAP. The cost of complying with the Company's obligations under the US Sarbanes-Oxley Act ('**Sarbanes-Oxley**') alone is estimated to be approximately £600,000 in the next year and perhaps 50 – 75 per cent of that amount in future years. The Company also incurs considerable legal, accounting and other fees and costs in making filings with the US Securities and Exchange Commission (the '**SEC**') (particularly in filing the Company's Form 20-F each year). The Directors believe that these costs are no longer justified by the needs of the business.

The Company will not be able to file for deregistration under the Exchange Act unless and until the number of US holders of the Company's shares, including US holders holding shares through nominees, falls below 300. Deregistration would occur 90 days after the Company files a certification to this effect with the SEC, assuming that the SEC raises no objection.

If the Company deregisters, it will no longer be subject to the reporting requirements of the Exchange Act, including the requirement to file an annual report with the SEC on Form 20-F or to furnish reports to the SEC under cover of Form 6-K, and related obligations under Sarbanes-Oxley. If the number of the Company's US holders should increase to 300 or more following deregistration, however, it could once again become subject to Exchange Act reporting obligations.

The SEC has indicated that it may soon undertake new rule-making in this area, which could raise the threshold number of US holders permitting deregistration and otherwise facilitate efforts by non-US companies to deregister. It is not, however, clear when the SEC will make changes to its rules in this area and how the rules will be changed.

With a view to enabling the Company to deregister under the Exchange Act at the earliest available opportunity, the Directors propose that the Company amend its Articles of Association to include a new provision conferring upon it the power to require shares which are held or beneficially owned by US persons to be sold to non-US persons unless those US persons hold or are interested in more than 20,000 shares. This compulsory transfer power would not be limited in time but would be generally available to the Directors to exercise from time to time. The Company would be able to amend this threshold of 20,000 shares from time to time by passing an ordinary resolution. As these provisions relate to US holders, the proposed change to the Company's Articles of Association would not affect UK beneficial holders of the Company's shares.

The Directors believe that, given the absence of significant benefits to the Company from its registration under the Exchange Act, and the significant costs and management time involved in compliance with the obligations arising from that registration, it would be in the best interests of the Company to change the Company's Articles of Association in this way.

If the proposed amendment to the Company's Articles of Association is approved, the Company will be entitled to serve notices on shareholders or other persons appearing to the Company to have an interest in any of the Company's shares, requiring them to provide information relating to the ownership of such shares to the Company or to show that such shares are not held by or on behalf of a US person who holds or has an interest in 20,000 or fewer of such shares (a '**Relevant US Person**'). In addition, Relevant US Persons will be required to notify the Company of all shares held by them. The Company will maintain a register of persons whom the Directors consider to be Relevant US Persons. Shareholders will be notified if their name has been added to, or removed from, the register of Relevant US Persons. Shareholders will be entitled to make representations to the Company as to their inclusion on such register.

The Directors may give notice to any one or more Relevant US Persons requiring that they sell their shares in the Company within 21 days. If such notice is not complied with, the Company may sell, on behalf of such Relevant US Persons, the shares in the Company to which the notice relates. The proceeds of sale will be paid to the holder of the shares so sold, upon (in the case of certificated shares) surrender by the holder of any share certificate in respect of such shares.

The Directors have made no decision as to whether or when to exercise the compulsory sale power, and may decide to only use the power in conjunction with other possible courses of action that might be, or become, available to the Company. Before doing so, the Company will make an appropriate announcement through a regulatory information service.

The Directors will be free to exercise the compulsory transfer provision, if approved, in their absolute discretion. If the Directors decide to exercise the compulsory transfer provision, they will do so with the objective of reducing the number of US holders of the Company's shares to below 300. Subject to legal, fiduciary and regulatory requirements and costs, the Directors expect to take account of the relative size of the holdings of Relevant US Persons and apply the power first to those Relevant US Persons with the smallest holdings of shares. Once the number of the Company's US holders falls below 300, the Company will file a certification with the SEC to deregister under the Exchange Act. Thereafter, the Directors may, from time to time, require shares to be sold in order for the Directors to be satisfied that, at the beginning of each financial year, the number of such US persons remains below 300.

The Directors believe that the proposed amendment to the the Company's Articles of Association is in the best interests of the Company and its shareholders as a whole.

Certain US securities law considerations

US holders should be aware that, because the Company's shares are currently registered under the Exchange Act, the Company is subject to Exchange Act reporting obligations. The Company currently files with the SEC an annual report on Form 20-F and furnishes to the SEC certain reports under cover of Form 6-K in compliance with these reporting obligations. The Company will continue to file with and furnish to the SEC these reports unless and until its shares are deregistered. Following deregistration, and for so long as the Company remains deregistered, the Company will no longer be required to file reports with, or furnish reports to, the SEC.

Resolution 17 – Political donations

Authority is sought to enable the Company and Mitchells & Butlers Retail Ltd to support organisations which may fall within the legal definition of 'political organisations'. For the purposes of this resolution, 'Donations', 'EU Political Organisations' and 'EU Political Expenditure' have the meanings ascribed to them in Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000 (the '**Act**')).

The Company intends to continue its current practice of not making donations to political parties. However, the Act contains restrictions on companies making donations or incurring expenditure in relation to EU Political Organisations. The Act defines EU Political Organisations very widely and, as a result, it is possible that EU Political Organisations may include, for example, bodies concerned with policy review and law reform, with the representation of the business community or sections of it, or with the representation of other communities or special interest groups, which it is in the shareholders' interest for the Company to support. Expenditure could include the sponsorship of industrial forums and involvement in seminars and functions to which politicians may be invited. Amongst other things, the Act prohibits the Company or its subsidiaries from making donations or incurring expenditure in relation to EU Political Organisations in a 12 month period in excess of an aggregate amount of £5,000, unless such donations have been authorised by the Company's shareholders.

The Company believes that the authority proposed under the resolution to allow it or Mitchells & Butlers Retail Ltd to fund donations to a limit of £50,000 is necessary. Such authority will enable the Company to be sure that it does not, because of uncertainty as to the bodies covered by the definition of EU Political Organisations, unintentionally commit a technical breach of the Act.

The Act requires that this resolution should not purport to authorise particular donations or expenditure. In accordance with the Act, however, the Company will make disclosure in its next Annual Report of any donation made by it or Mitchells & Butlers Retail Ltd to any EU Political Organisation or of any EU Political Expenditure incurred, which is in excess of £200. As stated in the Directors' Report, no political donations have been made in the past year.

Notes

- 1 Only holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the Meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend and vote on his/her behalf. A proxy may not speak at the Meeting, except with the permission of the Chairman of the Meeting.
- 2 A Form of Proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the Meeting in person.
- 3 If you wish, you may register the appointment of a proxy for this meeting electronically, by contacting the website www.sharevote.co.uk where full details of the procedure are given. The proxy appointment and instructions must be received by Lloyds TSB Registrars not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service should follow the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a '**CREST Proxy Instruction**') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) not less than 48 hours before the time for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 5 The Register of Directors' Interests, together with copies of contracts of service and letters of appointment between the Directors and the Company or any of its subsidiaries (or a memorandum of the terms thereof), copies of the Directors' qualifying third party indemnity provisions, the Articles of Association of the Company, and the Rules of the Short Term Deferred Incentive Plan and the Performance Restricted Share Plan (each as proposed to be amended) will be available at the Registered Office of the Company and at the offices of Allen & Overy LLP, One New Change, London EC4M 9QQ during normal business hours until the conclusion of the Annual General Meeting, and at the place of the Meeting from at least 15 minutes prior to the Meeting until its conclusion.
- 6 The Company specifies that only those shareholders on the Register of Members as at 6pm on 31 January 2006 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their names at the time. Changes to entries on the ordinary register after 6.00pm on 31 January 2006 shall be disregarded in determining the right of any person to attend or vote at the Meeting.

