

Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 10 April 2004

Mitchells & Butlers Retail Limited

PROFIT AND LOSS ACCOUNT for the 28 weeks ended 10 April 2004

		<i>28 weeks ended 10 April 2004 Unaudited £m</i>	<i>28 weeks ended 12 April 2003 Restated* £m</i>	<i>52 weeks ended 30 September 2003 Restated* £m</i>
TURNOVER	3	789.7	769.9	1,454.8
Cost and overheads, less other income		(652.5)	(635.5)	(1,179.9)
OPERATING PROFIT	4	137.2	134.4	274.9
NON-OPERATING EXCEPTIONAL ITEMS:				
(Loss)/profit on sale of fixed assets		(2.2)	-	1.4
Loss on transfer of fixed assets	2	(21.1)	-	-
Profit on transfer of trade marks	2	1.4	-	-
Addition to reorganisation provision		(0.1)	-	(1.4)
Separation costs		-	(49.0)	(49.0)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		115.2	85.4	225.9
Interest receivable and similar income		1.0	0.1	1.1
Interest payable and similar charges	5	(50.7)	(24.0)	(25.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		65.5	61.5	201.2
Tax on profit on ordinary activities	6	(20.4)	(7.8)	(50.9)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		45.1	53.7	150.3
Dividends	7	(12.8)	-	-
RETAINED PROFIT FOR THE PERIOD		32.3	53.7	150.3

* Restated on the adoption of the Amendment to FRS 5 (see Note 1)

All turnover and costs are derived from continuing operations.

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

Mitchells & Butlers Retail Limited

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS for the 28 weeks ended 10 April 2004

		<i>28 weeks ended 10 April 2004 Unaudited £m</i>	<i>28 weeks ended 12 April 2003 £m</i>	<i>52 weeks ended 30 September 2003 £m</i>
	<i>Note</i>			
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		32.3	53.7	150.3
Issue of share capital		-	243.3	243.3
Other reserve movement	2	(44.7)	44.7	44.7
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NET (DECREASE)/INCREASE IN SHAREHOLDERS' FUNDS		(12.4)	341.7	438.3
Opening shareholders' funds		2,606.6	2,168.3	2,168.3
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CLOSING SHAREHOLDERS' FUNDS		2,594.2	2,510.0	2,606.6
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Mitchells & Butlers Retail Limited

BALANCE SHEET

at 10 April 2004

	<i>Notes</i>	<i>10 April 2004 Unaudited £m</i>	<i>12 April 2003 £m</i>	<i>30 September 2003 £m</i>
FIXED ASSETS				
Tangible assets		3,363.9	3,496.7	3,486.7
Investments		21.8	23.3	18.0
		3,385.7	3,520.0	3,504.7
CURRENT ASSETS				
Stocks		25.2	26.3	23.5
Debtors				
Amounts falling due within one year		27.0	168.4	91.0
Amounts falling due after more than one year	8	1,361.5	63.8	98.0
Investments		28.7		
Cash at bank and in hand		35.7	4.9	19.6
		1,478.1	263.4	232.1
CREDITORS: amounts falling due within one year				
Term Advances with Mitchells & Butlers Finance plc	9	(32.8)	-	-
Other		(225.6)	(1,080.4)	(925.2)
		1,219.7	(817.0)	(693.1)
NET CURRENT ASSETS/(LIABILITIES)				
		4,605.4	2,703.0	2,811.6
CREDITORS: amounts falling due after more than one year				
Term Advances with Mitchells & Butlers Finance plc	9	(1,841.4)	-	-
Other		(0.7)	(0.9)	(0.7)
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation		(166.1)	(186.0)	(200.2)
Reorganisation provision		(3.0)	(6.1)	(4.1)
		2,594.2	2,510.0	2,606.6
CAPITAL AND RESERVES				
Share capital		3.9	3.9	3.9
Share premium account		1,561.3	1,561.3	1,561.3
Revaluation reserve		328.6	341.4	341.4
Other reserve		-	44.7	44.7
Profit and loss account		700.4	558.7	655.3
		2,594.2	2,510.0	2,606.6
EQUITY SHAREHOLDERS' FUNDS		2,594.2	2,510.0	2,606.6

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 10 April 2004

1. BASIS OF PREPARATION

The semi-annual financial statements have been prepared in order to meet the financial reporting requirements included in the Issuer/Borrower Facility Agreement dated 13 November 2003 (the "Agreement") issued in connection with the securitisation of the business (see Note 2 below). This Agreement requires the reconciliation of certain information contained in these accounts to a separately issued Interim Investor Report. The required reconciliation is attached as a supplementary schedule to these accounts.

The semi-annual financial statements, which are unaudited, comply with relevant accounting standards under UK GAAP and should be read in conjunction with the Company's financial statements for the 24 weeks ended 30 September 2003. They have been prepared on a consistent basis using the accounting policies set out in those financial statements, with the following exception relating to turnover.

Following the publication of the Amendment to FRS 5 'Reporting the substance of transactions: Revenue recognition', the Company has changed its accounting policy to record turnover net of coupons and staff discounts. Prior period comparatives have been restated accordingly. The effect has been to decrease the Company's reported turnover by £7.5m (2003, 28 weeks £4.7m; 52 weeks £8.6m) with no impact on reported profit.

The semi-annual financial statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The financial information for the 28 weeks ended 12 April 2003 has been extracted from the Company's published statutory accounts for that period. The financial information for the 52 weeks ended 30 September 2003 has been prepared using this same information together with financial information extracted from the Company's published statutory accounts for the 24 weeks ended 30 September 2003. Both sets of published statutory accounts contain an unqualified audit report and have been filed with the Registrar of Companies.

The periods ended 10 April 2004 and 12 April 2003 are regarded as distinct financial periods for accounting purposes; income and costs are recognised in the profit and loss account as they arise; tax is charged on the basis of the expected effective tax rate for the full year.

2. SECURITISATION

On 13 November 2003, the Mitchells & Butlers group refinanced its debt by raising £1,900m through a securitisation of the majority of its UK pubs and restaurants business.

On 6 November 2003, prior to the securitisation, Mitchells & Butlers Retail Limited ("MAB Retail") undertook the following transactions:

- Fixed assets with a net book value of £126.8m, comprising properties, office fixtures & fittings and IT equipment, were transferred to other group companies realising a net loss of £21.1m for MAB Retail.
- Trade marks with a net book value of £nil were transferred to other group companies realising a profit of £1.4m for MAB Retail.
- The Company's SSAP 24 pension prepayment (net of the related deferred tax liability) and Other Reserve were transferred to Mitchells & Butlers plc ("MAB plc") as, on that date, MAB plc became the sponsoring employer for the Mitchells & Butlers pension plans. The net effect was to reduce the net assets of MAB Retail by £44.7m.

On 13 November 2003, the securitisation was implemented as follows:

- Mitchells & Butlers Finance plc ("MAB Finance"), a fellow subsidiary within the Mitchells & Butlers group, issued £1,900m of secured loan notes to third-party investors. The loan notes were issued in six tranches.
- Under the Agreement, MAB Retail borrowed from MAB Finance the proceeds from the sale of the loan notes. Further details of the amounts advanced under this Agreement are contained in Note 9 to the accounts.

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 10 April 2004

2. SECURITISATION (CONTINUED)

- MAB Retail used the £1,900m borrowed to pay facility fees of £23m, settle existing inter-company debt of £515m and lend £1,362m to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited. The loan to Mitchells & Butlers Retail Holdings Limited is non-interest bearing.
- Under a Guarantee and Reimbursement Agreement, Ambac Assurance UK Limited (“Ambac”), a financial guarantee insurance company, agreed to act as a guarantor of MAB Retail’s financial obligations to MAB Finance under the Issuer/Borrower Facility Agreement. Ambac’s guarantee of MAB Finance’s obligations to repay interest and principal on the loan notes in the event that MAB Finance is unable to pay such amounts is limited to the Class A noteholders only.

On 13 November 2003, MAB Retail, together with certain other subsidiaries, also entered into a £60m working capital facility for a term of five years.

3. TURNOVER

The Company has two operating segments: Pubs & Bars, focusing on drink and entertainment-led sites, and Restaurants, focusing on food and accommodation-led sites. All of the Company’s business is performed in the United Kingdom.

	<i>28 weeks ended 10 April 2004 Unaudited £m</i>	<i>28 weeks ended 12 April 2003 Restated* £m</i>	<i>52 weeks ended 30 September 2003 Restated* £m</i>
Pubs & Bars	478.6	464.1	872.6
Restaurants	311.1	305.8	582.2
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Turnover	789.7	769.9	1,454.8
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* Restated on the adoption of the Amendment to FRS 5 (see Note 1).

4. OPERATING PROFIT

	<i>28 weeks ended 10 April 2004 Unaudited £m</i>	<i>28 weeks ended 12 April 2003 £m</i>	<i>52 weeks ended 30 September 2003 £m</i>
EBITDA	187.9	186.2	369.3
Depreciation	(50.7)	(51.8)	(94.4)
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Operating Profit	137.2	134.4	274.9
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Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 10 April 2004

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>28 weeks ended 10 April 2004 Unaudited £m</i>	<i>28 weeks ended 12 April 2003 £m</i>	<i>52 weeks ended 30 September 2003 £m</i>
Mitchells & Butlers Finance plc	47.2	-	-
Other inter-group interest	3.4	-	1.6
Six Continents group	-	23.9	23.9
External interest	0.1	0.1	0.3
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	50.7	24.0	25.8
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6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>28 weeks ended 10 April 2004 Unaudited £m</i>	<i>28 weeks ended 12 April 2003 £m</i>	<i>52 weeks ended 30 September 2003 £m</i>
UK corporation tax	22.0	17.9	46.8
Deferred tax	(1.6)	(10.1)	4.1
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	20.4	7.8	50.9
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Further analysed as tax relating to:			
Operating profit	28.5	35.3	78.4
Non-operating exceptional items	(8.1)	(27.5)	(27.5)
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	20.4	7.8	50.9
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7. DIVIDENDS

On 7 April 2004, the Company paid an interim dividend of £12.8m to its immediate parent company, Mitchells & Butlers Retail Holdings Limited.

8. DEBTORS

As at 10 April 2004, debtors falling due after more than one year include an amount of £1,361.5m owed by Mitchells & Butlers Retail Holdings Limited.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS
at 10 April 2004

9. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC

Under an Issuer/Borrower Facility Agreement dated 13 November 2003 (see Note 2), the Company borrowed £1,900m from Mitchells & Butlers Finance plc in the following six tranches:

- A1 floating rate Term Advance for £200m due 2030
- A2 5.584% Term Advance for £550m due 2030
- A3 floating rate Term Advance for £250m due 2030
- B1 5.975% Term Advance for £350m due 2025
- B2 6.023% Term Advance for £350m due 2030
- C 6.479% Term Advance for £200m due 2032

Interest on the A1 Term Advance is payable at three month sterling LIBOR plus a margin of 0.46%, stepping up to sterling LIBOR plus 0.91% in December 2010. The A3 Term Advance attracts interest payable at three month sterling LIBOR plus a margin of 0.46% stepping up to sterling LIBOR plus 0.91% in December 2010.

The Term Advances are secured on the Company's assets and future income streams therefrom.

The Issuer/Borrower Facility Agreement includes customary covenants, warranties and events of default.

In order to mitigate the interest rate risk inherent in the A1 and A3 Term Advances, the Company entered into interest rate hedging arrangements with Mitchells & Butlers Finance plc which fix the interest rate payable.

The carrying value of the Term Advances at 10 April 2004 is analysed as follows:

	£m
Gross amount received on 13 November 2003	1,900.0
Principal repaid during the period	(11.3)

Principal outstanding at 10 April 2004	1,888.7
Deferred finance costs	(22.4)
Accrued interest	7.9

Carrying value at 10 April 2004	1,874.2
Maturity profile:	
Amounts falling due within one year	32.8
Amounts falling due after more than one year	1,841.4

	1,874.2

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS
at 10 April 2004

10. CONTINGENT LIABILITIES

Pursuant to the securitisation of the business of Mitchells & Butlers Retail Limited (see Note 2), the Company is jointly and severally liable with various other companies within the Mitchells & Butlers group, for all advances made by Mitchells & Butlers Finance plc to the Company and other companies within the Mitchells & Butlers group, under an Issuer/Borrower Facility Agreement dated 13 November 2003.

On 13 November 2003, the Company and certain other members of the Mitchells & Butlers group granted full fixed and floating security over their respective assets and undertaking.

On the same date, the Company entered into swap arrangements with Mitchells & Butlers Finance plc which convert underlying borrowings with an effective principal of £450m from floating rate interest payable to fixed rate interest payable.

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT

	<i>Q1 As per Interim Investor Report* £m</i>	<i>Q2 As per Interim Investor Report £m</i>	<i>Q1 + Q2 Interim Investor Report £m</i>	<i>Pre- Securitisation Results** £m</i>	<i>Semi-Annual Financial Statements £m</i>
Turnover	272.1	337.7	609.8	179.9	789.7
Operating expenses	(225.9)	(274.5)	(500.4)	(152.1)	(652.5)
Operating profit	46.2	63.2	109.4	27.8	137.2
Depreciation	16.8	20.3	37.1	13.6	50.7
EBITDA	63.0	83.5	146.5	41.4	187.9

* Covering the period from 13 November 2003 to 17 January 2004

** Covering the period from 1 October 2003 to 12 November 2003