

Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 9 April 2011

Registered Number: 24542

Mitchells & Butlers Retail Limited

PROFIT AND LOSS ACCOUNT

For the 28 weeks ended 9 April 2011

		<i>28 weeks ended 9 April 2011</i>	<i>28 weeks ended 10 April 2010</i>	<i>52 weeks ended 25 September 2010</i>
	<i>Notes</i>	<i>Unaudited £m</i>	<i>Unaudited £m</i>	<i>£m</i>
TURNOVER		784	866	1,633
Cost and overheads		<u>(706)</u>	<u>(735)</u>	<u>(1,541)</u>
OPERATING PROFIT	2	78	131	92
NON-OPERATING EXCEPTIONAL ITEMS:				
(Loss)/profit on sale of fixed assets		<u>(9)</u>	<u>5</u>	<u>18</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		69	136	110
Interest payable and similar charges	3	<u>(72)</u>	<u>(73)</u>	<u>(136)</u>
Interest receivable and similar income	4	<u>1</u>	<u>-</u>	<u>1</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2)	63	(25)
Tax on (loss)/profit on ordinary activities	5	<u>1</u>	<u>1</u>	<u>(14)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(1)</u>	<u>64</u>	<u>(39)</u>

All turnover and costs are derived from continuing operations.

Mitchells & Butlers Retail Limited

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the 28 weeks ended 9 April 2011

	<i>28 weeks ended 9 April 2011 Unaudited £m</i>	<i>28 weeks ended 10 April 2010 Unaudited £m</i>	<i>52 weeks ended 25 September 2010 £m</i>
<i>Notes</i>			
RETAINED (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(1)	64	(39)
Impairment of tangible fixed assets charged to revaluation reserve	-	-	(4)
Dividends	6	(57)	(108)
NET INCREASE/(DECREASE) IN SHAREHOLDERS' FUNDS	(21)	7	(151)
Opening shareholders' funds	2,803	2,954	2,954
CLOSING SHAREHOLDERS' FUNDS	2,782	2,961	2,803

BALANCE SHEET

At 9 April 2011

		<i>9 April 2011 Unaudited</i>	<i>10 April 2010 Unaudited</i>	<i>25 September 2010</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
FIXED ASSETS				
Tangible assets		3,536	3,766	3,497
Investments		21	21	21
		<u>3,557</u>	<u>3,787</u>	<u>3,518</u>
CURRENT ASSETS				
Stocks		21	22	22
Debtors: amounts due within one year				
Loan to Mitchells & Butlers Retail Holdings Limited	7	1,362	1,362	1,362
Loan to Mitchells & Butlers plc	7	282	282	282
Other debtors		21	22	24
Investments		15	10	10
Cash at bank and in hand		112	86	214
		<u>1,813</u>	<u>1,784</u>	<u>1,914</u>
CREDITORS: amounts falling due within one year				
Term Advances with Mitchells & Butlers Finance plc	8	(50)	(55)	(51)
Other creditors		(241)	(226)	(258)
		<u>1,522</u>	<u>1,503</u>	<u>1,605</u>
NET CURRENT ASSETS				
		<u>5,079</u>	<u>5,290</u>	<u>5,123</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
CREDITORS: amounts falling due after more than one year				
Term Advances with Mitchells & Butlers Finance plc	8	(2,206)	(2,247)	(2,223)
Other creditors		(13)	(1)	(13)
		<u>(78)</u>	<u>(81)</u>	<u>(84)</u>
PROVISIONS FOR LIABILITIES AND CHARGES				
		<u>2,782</u>	<u>2,961</u>	<u>2,803</u>
NET ASSETS				
CAPITAL AND RESERVES				
Share capital		4	4	4
Share premium account		1,561	1,561	1,561
Revaluation reserve		1,065	1,176	1,162
Profit and loss account		152	220	76
		<u>2,782</u>	<u>2,961</u>	<u>2,803</u>
EQUITY SHAREHOLDERS' FUNDS				
		<u>2,782</u>	<u>2,961</u>	<u>2,803</u>

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

For the 28 weeks ended 9 April 2011

1. BASIS OF PREPARATION

Mitchells & Butlers Retail Limited ('the Company') is a subsidiary company of Mitchells & Butlers plc. Mitchells & Butlers plc, along with its subsidiaries, form the Mitchells & Butlers group of companies ('the Group').

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 whereby Mitchells & Butlers Finance plc, a fellow subsidiary within the Group, issued £1,900m of secured loan notes to third party investors and on-lent the proceeds to the Company under an Issuer/Borrower Facility Agreement dated 13 November 2003 (the "Agreement"). On 15 September 2006, Mitchells & Butlers Finance plc issued an incremental £655m of secured loan notes to third party investors, in addition to refinancing £450m of Floating Rate Notes and on-lent the proceeds to the Company under the Agreement as amended and restated. Further details of the amounts advanced under this Agreement are contained in Note 8 to the financial statements.

These semi-annual financial statements have been prepared in order to meet the financial reporting requirements included in the Agreement. A reconciliation of information contained in these financial statements to a separately issued Interim Investor Report is attached as a supplementary schedule to these accounts.

The semi-annual financial statements, which are unaudited, continue to comply with relevant accounting standards under UK GAAP and should be read in conjunction with the Company's audited financial statements for the 52 weeks ended 25 September 2010. They have been prepared on a consistent basis using the accounting policies set out in those financial statements.

The semi-annual financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The financial information for the 52 weeks ended 25 September 2010 has been extracted from the Company's published financial statements for that year, which contain an unqualified audit report and which have been filed with the Registrar of Companies and did not include an emphasis of matter, reference or any statement required under Section 498(2) or (3) of the Companies Act 2006.

The periods ended 9 April 2011 and 10 April 2010 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 calculated on the basis of the expected effective tax rate for the full year.

2. OPERATING PROFIT

	<i>28 weeks ended 9 April 2011 Unaudited £m</i>	<i>28 weeks ended 10 April 2010 Unaudited £m</i>	<i>52 weeks ended 25 September 2010 £m</i>
EBITDA	176	187	367
Depreciation	(47)	(56)	(102)
Impairment charge in respect of tangible fixed assets*	(51)	-	(173)
Operating Profit	<u>78</u>	<u>131</u>	<u>92</u>

* - During the period to 9 April 2011, 182 outlets were transferred from Mitchells & Butlers Retail (No 2) Limited to Mitchells & Butlers Retail Limited in order for funds received from the disposals completed by Mitchells & Butlers Retail Limited during the period to be released from the securitised estate. Since the valuation of the assets on transfer was in excess of their book value an exceptional impairment charge of £51m arose.

Mitchells & Butlers Retail Limited

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For the 28 weeks ended 9 April 2011

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>28 weeks ended 9 April 2011 Unaudited £m</i>	<i>28 weeks ended 10 April 2010 Unaudited £m</i>	<i>52 weeks ended 25 September 2010 £m</i>
Interest payable to Mitchells & Butlers Finance plc	<u>(72)</u>	<u>(73)</u>	<u>(136)</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>28 weeks ended 9 April 2011 Unaudited £m</i>	<i>28 weeks ended 10 April 2010 Unaudited £m</i>	<i>52 weeks ended 25 September 2010 £m</i>
Interest receivable	<u>1</u>	<u>-</u>	<u>-</u>

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	<i>28 weeks ended 9 April 2011 Unaudited £m</i>	<i>28 weeks ended 10 April 2010 Unaudited £m</i>	<i>52 weeks ended 25 September 2010 £m</i>
UK corporation tax	13	16	34
Group relief received for nominal consideration	(6)	(16)	(18)
Deferred tax	(5)	(1)	1
Deferred tax rate change *	(3)	-	(3)
	<u>(1)</u>	<u>(1)</u>	<u>14</u>
Further analysed as tax relating to:			
Operating profit before exceptional items	8	-	18
Exceptional items – deferred tax	(6)	(1)	(1)
Deferred tax rate change *	(3)	-	(3)
	<u>(1)</u>	<u>(1)</u>	<u>14</u>

* - A deferred tax credit has been recognised in the current period following the enactment of legislation on 23 March 2011 which lowered the UK standard rate of Corporation Tax from 27% to 26% with effect from 1 April 2011. The prior year deferred tax credit relates to the enactment of legislation on 21 July 2010 which lowered the UK standard rate of Corporation Tax from 28% to 27% with effect from 1 April 2011.

6. DIVIDENDS

During the period, the Company has paid interim dividends totalling £20m (2010: 28 weeks £57m, 52 weeks £108m), to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited, as permitted by the terms of the securitisation.

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

For the 28 weeks ended 9 April 2011

7. LOANS TO MITCHELLS & BUTLERS RETAIL HOLDINGS LIMITED AND MITCHELLS & BUTLERS PLC

The loans to Mitchells & Butlers Retail Holdings Limited and Mitchells & Butlers plc are non-interest bearing.

8. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC

Under an Issuer/Borrower Facility Agreement dated 13 November 2003 (see Note 1), amended and restated on 15 September 2006, the Company borrowed £1,900m from Mitchells & Butlers Finance plc in the following six tranches:

- Class A1N floating rate Term Advance for £200m due 2030
- Class A2 5.584% Term Advance for £550m due 2030
- Class A3N floating rate Term Advance for £250m due 2030
- Class B1 5.975% Term Advance for £350m due 2025
- Class B2 6.023% Term Advance for £350m due 2030
- Class C1 6.479% Term Advance for £200m due 2032

On 15 September 2006, the Company borrowed a further £655m from Mitchells & Butlers Finance plc in the following four tranches. As part of the transaction, the original A1 and A3 Term Advances were repaid and reissued as A1N and A3N Term Advances to take advantage of market rates.

- Class A4 floating rate Term Advance for £170m due 2030
- Class AB floating rate Term Advance for £325m due 2033
- Class C2 floating rate Term Advance for £50m due 2034
- Class D1 floating rate Term Advance for £110m due 2036

Interest and margin is payable on the floating rate Term Advances as follows:

Tranche	Interest	Margin	Margin step-up date	Post step-up margin
A1N	3 month LIBOR	0.19%	December 2010	0.46%
A3N	3 month LIBOR	0.19%	December 2010	0.46%
A4	3 month LIBOR	0.24%	September 2013	0.59%
AB	3 month LIBOR	0.25%	September 2013	0.61%
C2	3 month LIBOR	0.76%	September 2013	1.89%
D1	3 month LIBOR	0.86%	September 2013	2.14%

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

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.

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

For the 28 weeks ended 9 April 2011

8. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC (CONTINUED)

The carrying value of the Term Advances at 9 April 2011 is analysed as follows:

	£m
Principal outstanding at 25 September 2010	2,284
Principal repaid during the period	(24)
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Principal outstanding at 9 April 2011	2,260
Deferred finance costs	(13)
Accrued interest	9
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Carrying value at 9 April 2011	2,256
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Maturity profile:	
Amounts falling due within one year	50
Amounts falling due after more than one year	2,206
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	2,256
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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 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 and Class AB noteholders only.

9. CONTINGENT LIABILITIES

Pursuant to the securitisation of the business of Mitchells & Butlers Retail Limited on 13 November 2003, 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, as amended and restated on 15 September 2006.

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 undertakings.

The Company has entered into swap arrangements with Mitchells & Butlers Finance plc which convert underlying borrowings with an effective principal of £1,105m from floating rate interest payable to fixed rate interest payable.

Mitchells & Butlers Retail Limited

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 9 APRIL 2011

	<i>Q1 Investor Report</i>	<i>Q2 Investor Report</i>	<i>Q1 + Q2 Interim Investor Report</i>	<i>Semi-Annual Financial Statements</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Turnover	438	346	784	784
Operating expenses *	(364)	(342)	(706)	(706)
Operating profit	74	4	78	78
Depreciation	24	23	47	47
Exceptional impairment	-	51	51	51
EBITDA	98	78	176	176

* - Includes £51m of exceptional impairment booked in Q2, relating to the transfer of fixed assets from Mitchells & Butlers Retail (No 2) Limited to Mitchells & Butlers Retail Limited.