

# **Mitchells & Butlers Retail Limited**

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 15 April 2006

# Mitchells & Butlers Retail Limited

## PROFIT AND LOSS ACCOUNT for the 28 weeks ended 15 April 2006

		<i>28 weeks ended 15 April 2006</i>	<i>28 weeks ended 9 April 2005 restated*</i>	<i>53 weeks ended 1 October 2005 restated*</i>
	<i>Notes</i>	<i>Unaudited £m</i>	<i>Unaudited £m</i>	<i>£m</i>
<b>TURNOVER</b>	3	845	816	1,573
Cost and overheads		(703)	(680)	(1,291)
<b>OPERATING PROFIT</b>	4	142	136	282
<b>NON-OPERATING EXCEPTIONAL ITEMS:</b>				
Profit on sale of fixed assets		2	3	3
Amounts written off investments		-	-	(2)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		144	139	283
Interest receivable and similar income		2	2	5
Interest payable and similar charges	5	(60)	(61)	(116)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		86	80	172
Tax on profit on ordinary activities	6	(26)	(22)	(50)
<b>PROFIT FOR THE PERIOD</b>		60	58	122

\* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.

All turnover and costs are derived from continuing operations.

# Mitchells & Butlers Retail Limited

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## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the 28 weeks ended 15 April 2006

		<i>28 weeks ended 15 April 2006</i>	<i>28 weeks ended 9 April 2005 restated*</i>	<i>53 weeks ended 1 October 2005 restated*</i>
	<i>Note</i>	<i>Unaudited £m</i>	<i>Unaudited £m</i>	<i>£m</i>
<b>PROFIT FOR THE PERIOD AND TOTAL RECOGNISED GAINS FOR THE PERIOD</b>		60	<u>58</u>	<u>122</u>
Prior year adjustment arising from changes in accounting policies	2	<u>(24)</u>		
<b>TOTAL RECOGNISED GAINS SINCE 1 OCTOBER 2005</b>		<u>36</u>		

\* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.

## Mitchells & Butlers Retail Limited

### RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS for the 28 weeks ended 15 April 2006

		<i>28 weeks ended 15 April 2006</i>	<i>28 weeks ended 9 April 2005 restated*</i>	<i>53 weeks ended 1 October 2005 restated*</i>
	<i>Note</i>	<i>Unaudited £m</i>	<i>Unaudited £m</i>	<i>£m</i>
<b>PROFIT FOR THE PERIOD</b>		60	58	122
Dividends	7	(34)	(47)	(88)
Credit in respect of share remuneration		-	-	1
		<hr/>	<hr/>	<hr/>
<b>NET INCREASE IN SHAREHOLDERS' FUNDS</b>		26	11	35
		<hr/>	<hr/>	<hr/>
Opening shareholders' funds as previously reported		2,638	2,603	2,603
Prior year adjustment arising from changes in accounting policies	2	(24)	(24)	(24)
		<hr/>	<hr/>	<hr/>
<b>OPENING SHAREHOLDERS' FUNDS AS RESTATED</b>		2,614	2,579	2,579
		<hr/>	<hr/>	<hr/>
<b>CLOSING SHAREHOLDERS' FUNDS</b>		2,640	2,590	2,614
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.

# Mitchells & Butlers Retail Limited

## BALANCE SHEET

at 15 April 2006

		<i>15 April 2006</i>	<i>9 April 2005 restated*</i>	<i>1 October 2005 restated*</i>
	<i>Notes</i>	<i>Unaudited £m</i>	<i>Unaudited £m</i>	<i>£m</i>
<b>FIXED ASSETS</b>				
Tangible assets		3,338	3,310	3,319
Investments		21	21	21
		<hr/>	<hr/>	<hr/>
		3,359	3,331	3,340
<b>CURRENT ASSETS</b>				
Stocks		23	22	21
Debtors: amounts due within one year				
Loan to Mitchells & Butlers Retail Holdings Limited	8	1,362	1,362	1,362
Other debtors		34	40	30
Investments		84	82	67
Cash at bank and in hand		44	50	52
		<hr/>	<hr/>	<hr/>
		1,547	1,556	1,532
<b>CREDITORS: amounts falling due within one year</b>				
Term Advances with Mitchells & Butlers Finance plc	9	(37)	(33)	(36)
Other		(284)	(286)	(264)
		<hr/>	<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,226	1,237	1,232
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<hr/>	<hr/>	<hr/>
		4,585	4,568	4,572
<b>CREDITORS: amounts falling due after more than one year</b>				
Term Advances with Mitchells & Butlers Finance plc	9	(1,771)	(1,808)	(1,785)
Other		(1)	(1)	(1)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Deferred taxation		(173)	(169)	(172)
		<hr/>	<hr/>	<hr/>
		2,640	2,590	2,614
<b>CAPITAL AND RESERVES</b>				
Share capital		4	4	4
Share premium account		1,561	1,561	1,561
Revaluation reserve		324	325	325
Profit and loss account		751	700	724
		<hr/>	<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		2,640	2,590	2,614
		<hr/>	<hr/>	<hr/>

\* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.

# Mitchells & Butlers Retail Limited

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## NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 15 April 2006

### 1. BASIS OF PREPARATION

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. Mitchells & Butlers Finance plc, a fellow subsidiary within the Mitchells & Butlers 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"). Further details of the amounts advanced under this Agreement are contained in Note 9 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 53 weeks ended 1 October 2005. They have been prepared on a consistent basis using the accounting policies set out in those financial statements, with the exception of the changes in accounting policies detailed in note 2 below.

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 53 weeks ended 1 October 2005 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.

The periods ended 15 April 2006 and 9 April 2005 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. CHANGES IN ACCOUNTING POLICIES

With effect from 2 October 2005, the Company has changed its accounting policies and restated its comparative figures in respect of the following:

- Share-based payments – the Company has early adopted FRS 20 'Share-based Payments' which requires all share options and employee share awards to be expensed in the profit and loss account with the expense measured at fair value at date of grant and charged over the vesting period of the scheme. Previously, SAYE schemes were exempt from a charge and the expense recognised in respect of other schemes was based on the intrinsic value at date of grant and charged over the performance period of the scheme. The main impact on the Company is to require the recognition of an expense in respect of employees participating in the Mitchells & Butlers group Sharesave and Share Incentive Plans.
- Holiday pay – in order to provide consistency with the accounting treatment adopted in the Mitchells & Butlers plc group financial statements, which have been prepared under International Financial Reporting Standards ('IFRS') since 2 October 2005, the Company now recognises an accrual for holiday pay.
- Fixed assets – in order to provide consistency with the accounting treatment adopted in the Mitchells & Butlers plc group financial statements prepared under IFRS, the Company has ceased to capitalise certain low value short lived assets.

FRS 21 'Events after the Balance Sheet Date' also applies for the first time in these financial statements. Under FRS 21 dividends declared after the period end (e.g. proposed final dividends) are no longer recognised as a liability at the balance sheet date. As it is the Company's practice to declare and pay dividends on the same day, the adoption of FRS 21 has had no impact on financial statements.

# Mitchells & Butlers Retail Limited

## NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 15 April 2006

### 2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impacts of these changes on previously reported figures are as follows:

<b>Profit And Loss Account</b>	<b>Profit Before Tax £m</b>	<b>Tax £m</b>	<b>Profit After Tax £m</b>	
<b>28 weeks ended 9 April 2005:</b>				
As previously reported	82	(23)	59	
Change in accounting policies	(2)	1	(1)	
As restated	80	(22)	58	
<b>53 weeks ended 1 October 2005:</b>				
As previously reported	173	(50)	123	
Change in accounting policies	(1)	-	(1)	
As restated	172	(50)	122	
<b>Balance Sheet</b>				
	<b>Fixed Assets £m</b>	<b>Creditors £m</b>	<b>Deferred Taxation £m</b>	<b>Shareholders' Funds £m</b>
<b>9 April 2005:</b>				
As previously reported	3,333	(281)	(172)	2,615
Change in accounting policies	(23)	(5)	3	(25)
As restated	3,310	(286)	(169)	2,590
<b>1 October 2005:</b>				
As previously reported	3,342	(260)	(175)	2,638
Change in accounting policies	(23)	(4)	3	(24)
As restated	3,319	(264)	(172)	2,614

# Mitchells & Butlers Retail Limited

## NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 15 April 2006

### 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 15 April 2006 Unaudited £m</i>	<i>28 weeks ended 9 April 2005 Unaudited £m</i>	<i>53 weeks ended 1 October 2005 £m</i>
Pubs & Bars	498	489	934
Restaurants	347	327	639
	<hr/>	<hr/>	<hr/>
Turnover	845	816	1,573
	<hr/>	<hr/>	<hr/>

### 4. OPERATING PROFIT

	<i>28 weeks ended 15 April 2006 Unaudited £m</i>	<i>28 weeks ended 9 April 2005 restated* Unaudited £m</i>	<i>53 weeks Ended 1 October 2005 restated* £m</i>
EBITDA	198	189	383
Depreciation	(56)	(53)	(101)
	<hr/>	<hr/>	<hr/>
Operating Profit	142	136	282
	<hr/>	<hr/>	<hr/>

\* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.

Operating profit for the 53 weeks ended 1 October 2005 included a £4m operating exceptional item relating to licensing costs incurred in relation to obtaining new licences for the Company's pubs and pub restaurants as required by the 2003 Licensing Act.



# Mitchells & Butlers Retail Limited

## NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 15 April 2006

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>28 weeks ended 15 April 2006 Unaudited £m</i>	<i>28 weeks ended 9 April 2005 Unaudited £m</i>	<i>53 weeks Ended 1 October 2005 £m</i>
Mitchells & Butlers Finance plc	60	61	116

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>28 weeks ended 15 April 2006 Unaudited £m</i>	<i>28 weeks ended 9 April 2005 restated* Unaudited £m</i>	<i>53 weeks Ended 1 October 2005 restated* £m</i>
UK corporation tax	25	22	47
Deferred tax	1	-	3
	26	22	50
Further analysed as tax relating to:			
Operating profit	26	25	55
Exceptional items	-	(3)	(5)
	26	22	50

\* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.

### 7. DIVIDENDS

During the period, the Company has paid interim dividends totalling £34m (2005: 28 weeks £47m, 53 weeks £88m), to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited, as permitted by the terms of the securitisation.

### 8. LOAN TO MITCHELLS & BUTLERS RETAIL HOLDINGS LIMITED

The loan to Mitchells & Butlers Retail Holdings Limited is non-interest bearing.

# Mitchells & Butlers Retail Limited

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## NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 15 April 2006

### 9. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC

Under an Issuer/Borrower Facility Agreement dated 13 November 2003 (see Note 1), 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 15 April 2006 is analysed as follows:

	<b>£m</b>
Principal outstanding at 1 October 2005	1,837
Principal repaid during the period	(18)
	<hr/>
Principal outstanding at 15 April 2006	1,819
Deferred finance costs	(19)
Accrued interest	8
	<hr/>
Carrying value at 15 April 2006	1,808
	<hr/> <hr/>
Maturity profile:	
Amounts falling due within one year	37
Amounts falling due after more than one year	1,771
	<hr/>
	1,808
	<hr/> <hr/>

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 noteholders only.

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS  
at 15 April 2006

**10. CONTINGENT LIABILITIES**

Pursuant to the securitisation of the business of Mitchells & Butlers Retail Limited (see Note 1), 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: 15 APRIL 2006

	<i>Q1 Investor Report £m</i>	<i>Q2 Investor Report £m</i>	<i>Q1 + Q2 Interim Investor Report £m</i>	<i>Semi-Annual Financial Statements £m</i>
Turnover	478	367	845	845
Operating expenses	(404)	(299)	(703)	(703)
Operating profit	74	68	142	142
Depreciation	32	24	56	56
EBITDA	106	92	198	198