Mitchells & Butlers Retail Limited

Report and Financial Statements

For the 52 weeks ended 30 September 2006

Registered Number: 24542

DIRECTORS' REPORT
for the 52 weeks ended 30 September 2006

The directors present their report on the affairs of the Company, together with the financial statements and independent report of the auditors, for the 52 weeks ended 30 September 2006. The comparative period is for the 53 weeks ended 1 October 2005.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW, RESULTS AND DIVIDENDS

The Company is the leading UK operator of managed pubs, bars and pub-restaurants with an estate of some 1,847 outlets at 30 September 2006.

Turnover for the year was £1,601m (53 weeks 2005: £1,573m). The profit for the year before taxation amounted to £203m (53 weeks 2005: £172m restated). Taxation charged against the profit of the year was £29m (53 weeks 2005: £50m) leaving a profit after tax of £174m (53 weeks 2005: £122m restated). Dividends of £671m (53 weeks 2005: £88m) were paid during the year.

During the year, the Company continued to pursue a customer driven pub retailing strategy with a focus on amenity, value and service.

SECURITISATION

Since November 2003, the Company has operated within the Mitchells & Butlers securitisation structure. On 15 September 2006, the Company participated in a further debt ("tap") issue to borrow an additional £655m and refinance £450m of existing debt at lower cost. Under the securitisation structure, the Company has borrowed £2,455m (2005: £1,837m) after amortisation, from Mitchells & Butlers Finance plc under an Issuer/Borrower Facility Agreement dated 13 November 2003, amended and restated on 15 September 2006. The borrowings ("Term Advances") are secured on the Company's assets and future income streams therefrom. Mitchells & Butlers Finance plc is a fellow subsidiary within the Mitchells & Butlers group of companies and issuer of secured loan notes to third party investors for the same amount.

In connection with the securitisation and under an Intra Group Supply Agreement dated 6 November 2003, Mitchells & Butlers Leisure Retail Limited ("MAB Leisure Retail") has, since this date, procured the supply and distribution of the majority of goods, including food, beer, spirits and other drinks, for the Company. Under a Management Services Agreement dated 6 November 2003, MAB Leisure Retail has also, since this date, provided the Company with central management and administration services. The Company pays a fee for the management and administration services provided. MAB Leisure Retail, a management and service company, is a fellow subsidiary within the Mitchells & Butlers group.

The securitisation is governed by various covenants, warranties and events of default, including requirements to maintain free cash flow and net worth ratios. In addition, the Company has to satisfy certain conditions before it can pay dividends. Further details are provided in note 16 to the financial statements.

FUTURE DEVELOPMENT

The Company aims to lead the value for money casual dining market, to generate significant drinks market share gains and to widen the inclusive appeal of the pub through high levels of amenity and service. The Company's strategy is built on the delivery of a profitable, integrated food and drinks offer, on the extraction of volume driven efficiencies and on the extension of the skill base of operational excellence throughout the estate. The Company seeks to manage the estate proactively to maximise value and to capture asset appreciation through growing profits.

DIRECTORS' REPORT
for the 52 weeks ended 30 September 2006

DIRECTORS AND THEIR INTERESTS
The following served as Directors of the Company during the year:

M L Bramley
J C Butterfield
T Clarke
A Hughes
B Kennedy
A M Martin
K Naffah
R G Pratt
J C D Townsend
A T Wheaton

The directors serving at the year end and their connected persons had the following interests in the ordinary shares of Mitchells & Butlers plc at 30 September 2006 and 1 October 2005.

	Ordinary shares (i) (ii) (number of shares)		Ordinary shares under option (iv) (number of shares)						
Name of Director	30 Sept 2006	1 Oct 2005	30 Sept 2006	Exercised during period	Granted during period	Lapsed during period	1 Oct 2005	Option price (iii)	Earliest exercise date
M L Bramley	125,682	47,926	1,479,001	93,140	160,100	77,114	1,489,155	Nil to 364p	18 Feb 2000
J C Butterfield	3,327	3,053	497,588	164,509	67,838	35,590	629,849(v)	Nil to 326p	25 Feb 2002
T Clarke	587,291	427,978	2,268,318	320,565	235,702	118,636	2,471,817	Nil to 364p	2 Mar 2001
A Hughes	133,773	62,793	1,562,693	77,771	160,100	77,114	1,557,478	Nil to 364p	18 Feb 2000
B Kennedy	40,988	15,175	562,624	182,673	83,668	49,827	711,456	Nil to 364p	18 Feb 2000
A M Martin	158,632	65,515	439,236	328,133	82,229	43,184	728,324	Nil to 401p	2 Mar 2001
K Naffah	271,119	144,380	1,445,227	263,615	168,994	83,045	1,622,893	Nil to 364p	2 Mar 2001
R G Pratt	30,433	2,601	563,110	107,147	67,838	40,336	642,755	Nil to 364p	2 Mar 2001
J C D Townsend	-	-	200,203	-	75,376	-	124,827(v)	Nil to 331p	1 Dec 2007 (vi)
A T Wheaton	57,574	2,723	538,052	135,938	73,492	40,336	640,834	Nil to 364p	2 Mar 2001

(i) Includes shares held by trustees under the Mitchells & Butlers Share Incentive Plan.

(ii) In addition to the shares shown above, the following directors have conditional awards under the Mitchells & Butlers Short Term Deferred Incentive Plan: M L Bramley 173,601 shares; T Clarke 222,326 shares; A Hughes 198,169 shares; K Naffah 157,210 shares.

(iii) 'Nil' option price relates to Mitchells & Butlers plc Performance Restricted Share Plan which has an exercise price of £1 per employee per share plan.

(iv) Includes grants under the Mitchells & Butlers plc Performance Restricted Share, Sharesave and Executive Share Option Plans.

(v) Adjusted in respect of the 2004/07 Performance Restricted Share Plan.

(vi) The earliest exercise date for these options is the business day after the announcement of the Company's results for the year ending 29 September 2007 and will be around 1 December 2007.

For full details of all Mitchells & Butlers share option plans see the Annual Report and Financial Statements 2006 of Mitchells & Butlers plc.

DIRECTORS' REPORT
for the 52 weeks ended 30 September 2006

SUPPLIER PAYMENT POLICY

The Company agrees payment terms with all of its main suppliers and abides by these terms subject to satisfactory performance by the supplier. Since 6 November 2003, Mitchells & Butlers Leisure Retail Limited has procured the supply and distribution of the majority of goods, including food, beer, spirits and other drinks, for the Company. As a consequence, the Company has not carried a material level of trade creditors since this date.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that all employees be given opportunities in respect of training, career development and promotion.

It is also Company policy that there be no discrimination in respect of sex, age, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

EMPLOYEE CONSULTATION

The Company places considerable emphasis on employee communication, particularly on matters relating to the Company's business and its performance. Communication channels include regular team meetings, informal briefings, in-house publications and intranets. Regular feedback is obtained through employee focus groups and employee opinion surveys, the results of which are used in developing management policies and best practice.

Employees are entitled to participate in the success of the business through the Group's employee share schemes.

HEALTH & SAFETY

The Company strives to provide and maintain a safe environment for all employees, customers and other visitors to its premises and to comply with relevant health and safety legislation.

CHARITABLE DONATIONS

The Company's charitable donations in the financial period were £nil (2005 £nil). Charitable donations made by the Mitchells & Butlers Group are disclosed in the 2006 Mitchells & Butlers plc Annual Report and Accounts. The Company makes donations in kind, such as offering its facilities for use pro bono, or by giving free meals in Company premises and every year, its pub managers and staff raise significant funds for charitable causes.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

V M Penrice
Secretary
Dated:

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

Following discussions with the Auditors, the Directors consider that, in preparing the financial statements on pages 6 to 28 inclusive, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITCHELLS & BUTLERS RETAIL LIMITED

We have audited the Company's financial statements for the 52 weeks ended 30 September 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' Funds, Statement of Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 30 September 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Birmingham
Dated:

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 30 September 2006

	Notes	*52 weeks ended 30 September 2006* £m	*53 weeks ended 1 October 2005 restated** £m
TURNOVER	3	**1,601**	1,573
Costs and overheads	4	**(1,312)**	(1,291)
OPERATING PROFIT	5	**289**	282
NON-OPERATING EXCEPTIONAL ITEMS:			
Profit on disposal of fixed assets		**26**	3
Amounts written off investments		**-**	(2)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		**315**	283
Interest receivable and similar income		**6**	5
Interest payable and similar charges	7	**(118)**	(116)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**203**	172
Tax on profit on ordinary activities	8	**(29)**	(50)
RETAINED PROFIT	19	**174**	122

The notes on pages 10 to 28 form an integral part of these financial statements.

* 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.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 weeks ended 30 September 2006

	52 weeks ended 30 September 2006 £m	***53 weeks ended 1 October 2005 restated* £m***
PROFIT FOR THE PERIOD AND TOTAL RECOGNISED GAINS FOR THE PERIOD	**174**	122
Prior year adjustment arising from changes in accounting policies (see note 2)	**(24)**	
TOTAL RECOGNISED GAINS SINCE PREVIOUS YEAR END	**150**	

The notes on pages 10 to 28 form an integral part of these financial statements.

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

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the 52 weeks ended 30 September 2006

	52 weeks ended 30 September 2006 *£m*	*53 weeks ended 1 October 2005 restated** *£m*
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**174**	122
Dividends	**(671)**	(88)
Credit in respect of employee share schemes	**1**	1
NET (DECREASE)/ INCREASE IN SHAREHOLDERS' FUNDS	**(496)**	35
Opening shareholders' funds as previously reported	**2,638**	2,603
Prior year adjustment arising from changes in accounting policies (see note 2)	**(24)**	(24)
OPENING SHAREHOLDERS' FUNDS AS RESTATED	**2,614**	2,579
CLOSING SHAREHOLDERS' FUNDS	**2,118**	2,614

STATEMENT OF HISTORICAL COST PROFITS AND LOSSES
for the 52 weeks ended 30 September 2006

	52 weeks ended 30 September 2006 *£m*	*53 weeks ended 1 October 2005 restated** *£m*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**203**	172
Realisation of property revaluation surplus on sale of properties	**6**	4
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**209**	176
HISTORICAL COST PROFIT RETAINED AFTER TAXATION	**180**	126

The notes on pages 10 to 28 form an integral part of these financial statements.

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

BALANCE SHEET
at 30 September 2006

	Notes	*2006* £m	*2005 restated** £m
FIXED ASSETS			
Tangible assets	10	**3,368**	3,319
Investments	11	**21**	21
		3,389	3,340
CURRENT ASSETS			
Stocks	12	**21**	21
Debtors			
Amounts falling due within one year	13	**1,555**	1,392
Investments		**-**	67
Cash at bank and in hand		**73**	52
		1,649	1,532
CREDITORS: amounts falling due within one year	14	**(349)**	(300)
NET CURRENT ASSETS		**1,300**	1,232
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,689**	4,572
CREDITORS: amounts falling due after more than one year	15	**(2,401)**	(1,786)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	**(170)**	(172)
NET ASSETS		**2,118**	2,614
CAPITAL AND RESERVES			
Share capital	18	**4**	4
Share premium account	19	**1,561**	1,561
Revaluation reserve	19	**319**	325
Profit and loss account	19	**234**	724
EQUITY SHAREHOLDERS' FUNDS		**2,118**	2,614

The notes on pages 10 to 28 form an integral part of these financial statements.

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

Signed on behalf of the Board

K Naffah
Director
Dated:

1. ACCOUNTING POLICIES

A summary of the principal accounting policies applied by the Company is set out below. They comply with applicable accounting standards in the United Kingdom.

Basis of accounting
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets. They comply with applicable accounting standards in the United Kingdom, including FRS 20 'Share-based Payment' which the Company has early adopted this year. Further details regarding the adoption of FRS 20 and other changes in accounting policies are provided in note 2.

The Company's accounting reference date is 30 September. The Company has drawn up its prior period financial statements for the 53 weeks to 1 October 2005, the Saturday directly following the accounting reference date, as permitted by section 223 (3) of the Companies Act 1985.

Consolidation
The financial statements contain information about the individual Company and do not contain consolidated financial information as the Parent of a group. The Company is exempt from preparing group accounts under S228 of Companies Act 1985 since the Company is a wholly owned subsidiary undertaking of another UK company.

The financial statements include the results of the Company for the 52 week period ended 30 September 2006. The comparative period is for the 53 week period ended 1 October 2005. The respective balance sheets have been drawn up to 30 September 2006 and 1 October 2005.

Cash flow
In accordance with FRS1 (Revised) these financial statements do not include a cash flow statement as the Company is a wholly owned subsidiary undertaking of Mitchells & Butlers plc whose financial statements for the 52 weeks ended 30 September 2006 include a consolidated cash flow statement.

Fixed asset investments
Fixed asset investments are stated at cost less any provision for impairment.

Fixed assets and depreciation
Properties are stated at cost, or valuation, less depreciation. All other fixed assets are stated at cost less depreciation.

When implementing FRS 15 'Tangible Fixed Assets' in the year to 30 September 2000, the Company did not adopt a policy of revaluing properties. The transitional rules of FRS 15 were applied so that the carrying values of properties include an element resulting from previous valuations.

Surpluses or deficits arising from previous professional valuations of properties, realised on the disposal of an asset, are transferred from the revaluation reserve to the profit and loss account reserve.

Any impairment arising on an income-generating unit, other than an impairment which represents a consumption of economic benefits, is eliminated against any specific revaluation reserve relating to the impaired asset in that income-generating unit with any excess being charged to the profit and loss account. An income generating unit is impaired if its carrying value exceeds its recoverable amount.

Freehold land is not depreciated.

Freehold and long leasehold properties are depreciated over 50 years from the date of acquisition to their estimated residual value. Leasehold properties are depreciated over the unexpired term of the lease when less than 50 years.

1. ACCOUNTING POLICIES (CONTINUED)

The cost of plant, machinery, fixtures, fittings, tools and equipment is spread, on a straight line basis, over the estimated useful lives of the relevant assets, namely:

Equipment in retail outlets	3-20 years
Information technology equipment	3-7 years
Vehicles	4-5 years
Plant and machinery	4-20 years

Leases
Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the Company, are capitalised in the balance sheet and depreciated on a straight line basis over their useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Stocks
Stocks are stated at the lower of cost and net realisable value.

Pensions
Mitchells & Butlers plc accounts for pensions in accordance with FRS 17 'Retirement Benefits'. As the members of the Group's pension plans are employed by a number of group subsidiaries, those subsidiaries, including the Company, account for pensions on a multi-employer basis as the individual subsidiaries are unable to identify their share of the underlying assets and liabilities of the plans. Accordingly, the Company's profit and loss account charge in respect of its defined benefit arrangements is equal to contributions payable based on the service cost of providing pension benefits across the Group to current employees.

For the defined contribution arrangements, the charge against profits is equal to the amount of contributions payable.

The deficit in the Mitchells & Butlers plc pension plans, as measured on an FRS 17 basis, is recorded in the financial statements of Mitchells & Butlers plc, the sponsoring employer of the Mitchells & Butlers pension plans. The FRS 17 disclosures included in the Mitchells & Butlers plc financial statements are replicated in note 6 to these financial statements.

Deferred taxation
Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Those timing differences recognised include accelerated capital allowances and short term timing differences. Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the assets and the gain on sale of assets rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover
Turnover represents sales (excluding VAT and similar taxes, coupons and staff discounts) of goods and services provided in the normal course of business.

Turnover primarily comprises food and beverage sales which are normally recognised and settled at the time of sale.

1. ACCOUNTING POLICIES (CONTINUED)

Borrowings and derivative financial instruments
Borrowings are stated initially at the amount of the funds raised, net of any facility fees paid. Finance costs, which are the difference between the net proceeds and the total amount of payments to be made in respect of the borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount. The amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the borrowings in that period.

Amounts payable and receivable in respect of derivative financial instruments that hedge the interest rate exposures attached to the borrowings are accounted for on an accruals basis and treated as part of the finance cost.

Share-based payment
The Company has early adopted FRS 20 'Share-based Payment' 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.

Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results can differ from those estimates. Estimates are used when accounting for items such as depreciation, asset impairments and pensions.

2. RESTATEMENT OF PRIOR YEARS

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

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.

The impact of adopting this treatment has been to recognise an additional accrual of £6m, offset by a reduction in the current tax creditor reported in 2005 of £2m. 2005 retained profit previously reported has been reduced by £4m as a result of these adjustments.

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.

This has resulted in a reduction of £23m in the 2005 reported fixed assets balance, and a £3m reduction in the deferred tax liability. 2005 retained profit previously reported has been reduced by £20m as a result.

Dividends
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.

2. RESTATEMENT OF PRIOR YEARS (CONTINUED)

Share based payment

The early adoption of FRS 20 'Share-based payment' this year has resulted in an additional £1m charge being recorded against 2005 reported profit. This is offset by a £1m credit against the Profit & loss account reserve.

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

Profit and loss account	***Profit Before Tax £m***	***Tax £m***	***Profit After Tax £m***
53 weeks ended 1 October 2005:			
As previously reported	173	(50)	123
Change in accounting policies	(1)	-	(1)
As restated	172	(50)	122

Balance Sheet	***Fixed Assets £m***	***Creditors £m***	***Deferred Taxation £m***	***Shareholders' Funds £m***
1 October 2005:				
As previously reported	3,342	(296)	(175)	2,638
Change in accounting policies	(23)	(4)	3	(24)
As restated	3,319	(300)	(172)	2,614

3. TURNOVER ANALYSIS

The Company has two operating segments: Pubs & Bars, focusing primarily 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.

Turnover	***52 weeks ended 30 September 2006 £m***	***53 weeks ended 1 October 2005 £m***
Pubs & Bars	937	934
Restaurants	664	639
	1,601	1,573

Analysis of the results and net assets of the Company by operating segment is not disclosed within these Financial Statements.

4. COSTS AND OVERHEADS

	52 weeks ended 30 September 2006 £m	***53 weeks ended 1 October 2005 restated* £m***
Goods for resale and consumables	**430**	415
Staff costs (note 6)	**360**	354
Depreciation of tangible fixed assets (note 10)	**104**	101
Fair value adjustment in respect of tangible fixed assets (note 10)	**3**	-
Maintenance and repairs	**32**	37
Other external charges **	**383**	383
Change in stocks of goods held for resale	**-**	1
	1,312	1,291

* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.
** Year 2005 includes 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.

	52 weeks ended 30 September 2006 £m	***53 weeks ended 1 October 2005 restated* £m***
The following amounts are included above:		
Hire of plant and machinery		
- under operating leases	**10**	11
- other	**24**	24
Other operating lease rentals	**39**	39

Auditors' remuneration for audit services was £0.3m (53 weeks 2005: £0.3m)

5. OPERATING PROFIT

	52 weeks ended 30 September 2006 £m	***53 weeks ended 1 October 2005 restated* £m***
EBITDA	**396**	383
Depreciation**	**(107)**	(101)
Operating profit	**289**	282

EBITDA above is earnings before interest, tax, depreciation and non-operating exceptional items.

* Restated on the adoption of new accounting policies as explained in note 2 to the financial statements.
**Year 2006 includes a £3m fair value adjustment in respect of tangible fixed assets.

6. STAFF COSTS

	52 weeks ended 30 September 2006	*53 weeks ended 1 October 2005 restated**
	£m	*£m*
Employee costs during the year amounted to:		
Wages and salaries	**331**	325
Share-based payments	**1**	1
Social security costs	**22**	22
Pensions	**6**	6
	360	354

Average number of employees

The average number of persons employed by the Company during the year, including part time employees, was 34,668 (53 weeks 2005: 34,403).

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

Pensions

Retirement and death benefits are provided for eligible employees in the United Kingdom principally by the Mitchells & Butlers Pension Plan (“MABPP”) and the Mitchells & Butlers Executive Pension Plan (“MABEPP”). The defined benefit sections of the plans closed to new entrants during 2002 with new members provided with defined contribution arrangements. The assets of these plans are held in self-administered trust funds separate from the Company’s assets.

Mitchells & Butlers plc has accounted for pensions in accordance with FRS 17 ‘Retirement Benefits’. As explained in note 1 to the financial statements, the Company accounts for pensions on a defined contributions basis whereby the profit and loss account charge is equal to the contributions payable, as allowed by the multi-employer provisions of FRS 17. Pension costs are assessed in accordance with the advice of independent qualified actuaries.

The pension cost of the defined benefit arrangements included in the profit and loss account for the 52 weeks ended 30 September 2006 was £6m (53 weeks 2005: £6m). The pension cost of the defined contribution arrangements included in the profit and loss account for the 52 weeks ended 30 September 2006 was £0.4m (53 weeks 2005: £0.3m).

During the 52 weeks ended 30 September 2006, the Company made pension payments of £6m (53 weeks 2005: £6m). Employer contribution rates to the defined benefit arrangement for 2005/06 are 16.5% for the MABPP and 34.0% for the MABEPP.

FRS 17 disclosures

The valuations used for FRS 17 purposes are based on the results of the full actuarial valuations carried out at 31 March 2004 updated by independent qualified actuaries to 30 September 2006. Scheme assets are stated at market value at 30 September 2006 and the liabilities of the schemes have been assessed as at the same date using the projected unit method.

6. STAFF COSTS (CONTINUED)

The principal financial assumptions used by the actuaries at the balance sheet date were:

	2006	*2005*	*2004*
Wages and salaries increases	**4.4%**	4.3%	4.3%
Pensions increases	**2.9%**	2.8%	2.8%
Discount rate	**5.0%**	5.0%	5.5%
Inflation rate	**2.9%**	2.8%	2.8%

The combined assets of the MABPP and MABEPP, their expected rates of return and the value of the pension scheme assets and liabilities at the balance sheet date were:

	Long-term rates of return expected at 2006 %	***Value at 2006 £m***	***Long-term rates of return expected at 2005 %***	***Value at 2005 £m***	***Long-term rates of return expected at 2004 %***	***Value at 2004 £m***
Equities	**7.5**	**598**	7.5	563	8.0	460
Bonds	**4.6**	**488**	4.6	428	4.9	373
Property	**7.5**	**99**	7.5	90	8.0	82
Total value of market assets		**1,185**		1,081		915
Present value of scheme liabilities		**(1,281)**		(1,229)		(1,088)
Deficit in the scheme		**(96)**		(148)		(173)
Related deferred tax asset		**31**		49		59
Net pension liabilities		**(65)**		(99)		(114)

Movement in the deficit:	***2006 £m***	*2005 £m*
Opening	**(148)**	(173)
Current service cost	**(14)**	(12)
Past service cost	**-**	(1)
Contributions	**31**	42
Finance income	**8**	3
Actuarial gain/(loss)	**27**	(7)
Closing	**(96)**	(148)

6. STAFF COSTS (CONTINUED)

Pensions (continued)

	2006	*2005*	*2004*	*2003*
History of experience gains and losses:				
Difference between expected and actual returns on scheme assets				
Amount (£m)	**43**	100	27	39
Percentage of scheme assets	**4%**	9%	3%	5%
Experience gains and losses on scheme liabilities				
Amount (£m)	**-**	-	20	(11)
Percentage of scheme liabilities	**-**	-	2%	(1)%
Total amount recognised in the Statement of Total Recognised Gains and Losses for Mitchells & Butlers plc				
Amount (£m)	**27**	(7)	39	(71)
Percentage of scheme liabilities	**2%**	(1)%	4%	(7)%

Directors' remuneration

Four of the ten directors who served during the year received no remuneration in respect of the Company.

Directors' remuneration was paid in respect of their services to the Company as follows:

	52 weeks ended 30 September 2006 £m	*53 weeks ended 1 October 2005 £m*
Emoluments	**2**	2

	No	*No*
Members of defined benefit pension schemes at period end:		
- remunerated in respect of the Company	**5**	5
- not remunerated in respect of the Company	**4**	4

The above figures do not include any amount for the value of share options granted to, or held by, the directors. In the 52 weeks to 30 September 2006, nine directors exercised share options (53 weeks 2005: nine). Gains made by directors on the exercise of share options during the year amounted to £4.0m (53 weeks 2005: £1.5m).

The net value of shares receivable by directors under long-term incentive schemes during the year, amounted to £17,000 (2005: £9,000) based on the year end share price.

In the 52 weeks ended 30 September 2006, shares became receivable under long-term incentive schemes for 5 (2005: 6) directors.

One director is a member of the defined contribution pension scheme.

6. STAFF COSTS (CONTINUED)

Directors' remuneration (continued)

The directors' remuneration shown above (including gains on share options, but excluding pensions and pension contributions) included:

	52 weeks ended 30 September 2006 £m	***53 weeks ended 1 October 2005 £m***
Highest paid director	**1.1**	0.5
Accrued pension at 1 October 2005	**0.1**	0.1

During the year, the highest paid director exercised share options realising a gain of £0.7m (53 weeks 2005: £0.5m).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 30 September 2006 £m	***53 weeks ended 1 October 2005 £m***
Loans payable to Mitchells & Butlers Finance plc	**118**	116

The current year includes an exceptional charge of £4m, being accelerated amortisation of capitalised transaction costs. This related to loans repaid under the facility agreement.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax charge	***52 weeks ended 30 September 2006 £m***	***53 weeks ended 1 October 2005 £m***
UK Corporation Tax at 30% (53 weeks 2005: 30%)		
Current year	**51**	48
Prior years	**(19)**	(1)
Total Current Tax	**32**	47
Deferred Tax		
Origination and reversal of timing differences	**4**	4
Prior years	**(7)**	(1)
Total Deferred Tax	**(3)**	3
Tax on profit on ordinary activities	**29**	50
Further analysed as tax relating to:		
Operating profit before exceptional items	**60**	55
Exceptional items – current and deferred tax	**(31)**	(5)
	29	50

Tax Reconciliation	***%***	***%*** **restated***
UK Corporation Tax standard rate	**30.0**	30.0
Permanent differences	**2.6**	2.4
Capital allowances in excess of depreciation	**(3.2)**	(4.7)
Other timing differences	**(0.5)**	0.3
Adjustment to tax charge in respect of prior years	**(9.3)**	(0.4)
Tax effect of current year exceptional items	**(3.8)**	(0.4)
Effective current tax rate	**15.8**	27.2
Tax effect of current and prior year exceptional items	**11.0**	0.9
Effective current tax rate before exceptional items	**26.8**	28.1

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

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors which may affect future tax charges

The key factors which may affect future tax charges include continuing capital expenditure, the availability of accelerated tax depreciation and changes in tax legislation.

Tax relating to exceptional items in 2006 includes £26m of prior year current and deferred tax releases relating to matters which have been settled in the year, principally relating to disposals and qualifying capital expenditure. The remaining £5m relates to current year items.

9. DIVIDENDS

During the year, the Company paid interim dividends of £671m (53 weeks 2005: £88m) to its immediate parent Company, Mitchells & Butlers Retail Holdings Limited.

10. TANGIBLE FIXED ASSETS

	Land & buildings £m	*Fixtures, fittings & equipment £m*	*Total £m*
Cost:			
At 2 October 2005 as previously reported	2,768	864	3,632
Change in accounting policies	-	(23)	(23)
At 2 October 2005 as restated*	2,768	841	3,609
Additions	62	92	154
Transfers from other group undertakings	56	10	66
Disposals	(55)	(21)	(76)
Fully depreciated assets written off in the year	(1)	(103)	(104)
At 30 September 2006	**2,830**	**819**	**3,649**
Depreciation:			
At 2 October 2005	79	211	290
Provided in the year	18	86	104
Fair value adjustment	2	1	3
Disposals	(3)	(9)	(12)
Fully depreciated assets written off in the year	(1)	(103)	(104)
At 30 September 2006	**95**	**186**	**281**
Net book value:			
At 30 September 2006	**2,735**	**633**	**3,368**
At 1 October 2005 as restated*	2,689	630	3,319

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

Of the net book value above, £2m (1 October 2005: £2m) is attributable to assets held under finance leases.

10. TANGIBLE FIXED ASSETS (CONTINUED)

Analysis of properties	*Cost or Valuation £m*	*Depreciation £m*	*Net Book Value 30 September 2006 £m*	*Net Book Value 1 October 2005 £m*
Licensed and unlicensed properties:				
Freehold	**2,485**	**(42)**	**2,443**	2,399
Leasehold over 50 years	**175**	**(6)**	**169**	166
Leasehold under 50 years	**170**	**(47)**	**123**	124
Total properties	**2,830**	**(95)**	**2,735**	2,689

Historical cost of properties	*Cost £m*	*Depreciation £m*	*Net Book Value £m*
At 30 September 2006	**2,437**	**(103)**	**2,334**
At 1 October 2005	2,367	(87)	2,280

The transitional rules of FRS15 have been followed permitting the carrying values of properties as at 1 October 1999 to be retained.

The most recent valuation of properties for accounting purposes was undertaken in 1999 and covered all properties then owned by the Company other than those acquired or constructed in that year and leasehold properties having an unexpired term of 50 years or less. This valuation was undertaken by external Chartered Surveyors and internationally recognised valuers, Chesterton plc, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The basis of valuation was predominantly existing use value and had regard to trading potential.

11. FIXED ASSET INVESTMENTS

	Subsidiary undertaking s £m
Cost:	
At 2 October 2005 and 30 September 2006	36
Amount provided:	
At 2 October 2005 and 30 September 2006	15
Net book value:	
At 30 September 2006	**21**
At 1 October 2005	21

11. FIXED ASSET INVESTMENTS (CONTINUED)

Details of the investments in which the Company holds directly more than 10% of the nominal value of any class of share capital are as follows:

Subsidiary undertaking	*Country of registration (or incorporation) and operation*	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Browns Restaurants Limited*	England and Wales	Ordinary shares	100%	Non-trading
Old Kentucky Restaurants Limited	England and Wales	Ordinary shares	100%	Trade mark owner
Mitchells & Butlers Leisure Entertainment Limited*	England and Wales	Ordinary shares	100%	Non-trading

* These companies have subsidiaries which are either dormant or non-trading.

12. STOCKS

	2006 *£m*	*2005* *£m*
Goods held for resale	**21**	21

The replacement cost of stocks approximates to the value above.

13. DEBTORS

	2006 *£m*	*2005* *£m*
Trade debtors	**1**	2
Loan to Mitchells & Butlers Retail Holdings Limited*	**1,362**	1,362
Loan to parent undertaking*	**161**	-
Other debtors	**10**	4
Other prepayments	**21**	24
	1,555	1,392

* Non-interest-bearing loan.

All amounts fall due within one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	*2005 restated**
	£m	*£m*
Borrowings (note 16)	**41**	39
Amounts owed to fellow subsidiary undertakings	**181**	131
UK corporation tax payable	**41**	57
Other taxation and social security	**43**	25
Other creditors	**14**	14
Other accruals	**29**	34
	349	300

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

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006	*2005*
	£m	*£m*
Borrowings (note 16)	**2,401**	1,786

16. BORROWINGS

	2006	*2005*
	£m	*£m*
Term advances with Mitchells & Butlers Finance plc (see below)	**2,439**	1,821
Loan notes*	**2**	2
Obligations under finance leases	**1**	2
	2,442	1,825

* These loan notes bear interest at a floating rate, are repayable on demand and are partially secured by a deposit made with Lloyds TSB Bank plc.

16. BORROWINGS (CONTINUED)

Maturity profile	***2006 £m***	***2005 £m***
Amounts falling due within one year	**41**	39
Amounts falling due after more than one year:		
Between one and two years	**40**	38
Between two and five years	**571**	128
After five years	**1,790**	1,620
	2,401	1,786
	2,442	1,825

Obligations under finance leases are analysed as £1m due between one and two years.

Term advances with Mitchells & Butlers Finance plc

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

- Class A1N (2005 Class A1) floating rate Term Advance for £200,000,000 due 2030
- Class A2 5.584% Term Advance for £550,000,000 due 2030
- Class A3N (2005 Class A3) floating rate Term Advance for £250,000,000 due 2030
- Class B1 5.975% Term Advance for £350,000,000 due 2025
- Class B2 6.023% Term Advance for £350,000,000 due 2030
- Class C1 6.479% Term Advance for £200,000,000 due 2032

On 15 September 2006, the Company borrowed a further £655m from Mitchells & Butlers Finance plc in the following four tranches:

- Class A4 floating rate Term Advance for £170,000,000 due 2030
- Class AB floating rate Term Advance for £325,000,000 due 2034
- Class C2 floating rate Term Advance for £50,000,000 due 2036
- Class D1 floating rate Term Advance for £110,000,000 due 2038

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.

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%	December 2013	0.59%
AB	3 month LIBOR	0.25%	December 2013	0.61%
C2	3 month LIBOR	0.76%	December 2013	1.89%
D1	3 month LIBOR	0.86%	December 2013	2.14%

16. BORROWINGS (CONTINUED)

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 including the margin as follows:

- A1N 5.3705%
- A3N 5.4545%
- A4 5.0522%
- AB 4.9492%
- C2 5.3532%
- D1 5.4182%

The carrying value of the Term Advances at 30 September 2006 is analysed as follows:

	£m
Principal outstanding at 2 October 2005	**1,837**
Further loan note issue	**1,105**
Principal repaid during the period	**(487)**
Principal outstanding at 30 September 2006	**2,455**
Deferred finance costs	**(21)**
Accrued interest	**5**
Carrying value at 30 September 2006	**2,439**

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 particular, the Company must maintain a minimum free cash flow to debt service coverage ratio of no less than 1.10:1 as measured on any financial quarter date, in respect of the most recent relevant period or the most recent relevant year. The Company must also maintain net worth in excess of £500,000,000; net worth is the aggregate of consolidated net worth and the difference between book value and the latest valuation report. The Company is restricted in its ability to: (a) make any payments or other disposal of cash or other funds to another Group entity (including payment of dividends, payment of interest, distributions, repayment of loans, capital contributions etc.), except for any payment specifically permitted (such as payment to the intra group services company) unless (i) to the extent that a working capital facility remains outstanding all payments due and payable have been made, (ii) no event of default has occurred and is continuing or would occur as a result of the making of such payment, and (iii) certain minimum free cash flow to debt service ratios (at least 1.3:1) and EBITDA to debt service payments ratios (at least 1.7:1) are met; (b) sell, lease, transfer or dispose of any secured properties without the consent of the security trustee, and proceeds from these permitted disposals shall be deposited into a secured account with restrictions on the use of such funds (disposal of assets other than secured properties are also subject to certain conditions); (c) acquire or substitute any business over which security is granted, or would be granted; (d) incur more than £7,500,000 in permitted encumbrances or more than £7,500,000 in permitted indebtedness. The Company is required to incur or reserve for each fiscal year a required maintenance amount equal to a minimum of 5.7% of the actual aggregate turnover in respect of the preceding fiscal year of the secured properties, or £35,000 per pub in the same period.

Under the terms of the Agreement, the termination in whole or in part of the intra group supply agreement and/or a management services agreement, both put in place pursuant to the Securitisation, between the Company and the group companies outside of the Securitisation will be events of default if such termination would be reasonably expected to have a material adverse effect on the securitised group.

The occurrence of any of the events of default will cause the outstanding borrowings to become immediately due and payable.

16. BORROWINGS (CONTINUED)

Working capital facility

On 13 November 2003, the Company, together with certain other subsidiaries entered into a £60m revolving credit facility for a term of five years. The working capital facility was cancelled on 15 September 2006, but the flexibility to enter into a similar facility in the future has been retained.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	2006 ***£m***	***2005 restated**** ***£m***
At 2 October 2005	**172**	169
Profit and loss account	**(3)**	3
Deferred tax in respect of fixed assets transferred from another group undertaking	**1**	-
At 30 September 2006	**170**	172

	2006 ***£m***	***2005 restated**** ***£m***
Analysed as tax on timing differences related to:		
Fixed assets	**136**	128
Deferred gains	**38**	49
Other	**(4)**	(5)
	170	172

No provision has been made for deferred tax on the sale of properties at their revalued amounts or where gains have been or are expected to be deferred against expenditure on replacement assets for an indefinite period until the sale of the replacement assets. The total amount unprovided is estimated at £217m (1 October 2005: £220m restated). It is not anticipated that any such tax will be payable in the foreseeable future.

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

18. CALLED UP SHARE CAPITAL

	2006 ***£m***	***2005*** ***£m***
Authorised		
5,000,000 ordinary shares of £1 each (2005: 5,000,000)	**5**	5
Allotted, called up and fully paid		
3,882,000 ordinary shares of £1 each (2005: 3,882,000)	**4**	4

19. RESERVES

	Share premium £m	*Revaluation reserve £m*	*Profit & loss account £m*	*Total £m*
At 2 October 2005 as previously reported	1,561	325	748	2,634
Changes in accounting policies	-	-	(24)	(24)
At 2 October 2005 as restated*	1,561	325	724	2,610
Revaluation surplus realised	-	(6)	6	-
Credit in respect of employee share schemes	-	-	1	1
Retained profit	-	-	174	174
Dividends	-	-	(671)	(671)
At 30 September 2006	**1,561**	**319**	**234**	**2,114**

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

The Company's ability to distribute its profit and loss account reserve by way of dividend is restricted by the securitisation covenants as set out in note 16.

20. FINANCIAL COMMITMENTS

Operating lease commitments

The Company has annual commitments under operating leases which expire as follows:

	Properties 2006 £m	*Other 2006 £m*	*Properties 2005 £m*	*Other 2005 £m*
Within one year	**1**	**3**	1	3
Between two and five years	**2**	**3**	1	3
After five years	**30**	**-**	31	-
	33	**6**	33	6

Capital commitments

	2006 £m	*2005 £m*
Future capital expenditure contracted for but not provided for in the financial statements	22	24

21. RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemption in FRS 8 as a wholly owned subsidiary not to disclose details of related party transactions with other members of the Group.

22. 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 undertaking.

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.

23. ULTIMATE PARENT UNDERTAKING

Mitchells & Butlers plc is the ultimate parent undertaking and controlling party of the Company. The immediate parent undertaking of the Company is Mitchells & Butlers Retail Holdings Limited. Copies of the Group consolidated financial statements of Mitchells & Butlers plc are available from the Company Secretary, Mitchells & Butlers plc, 27 Fleet Street, Birmingham B3 1JP.

All undertakings above are companies incorporated in the United Kingdom and registered in England and Wales.

24. EVENTS AFTER THE BALANCE SHEET DATE

On 5 October 2006, the Company exchanged contracts for the disposal of 100 pubs to Trust Inns Ltd, a private company, for £99m.