

Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 11 April 2009

Mitchells & Butlers Retail Limited

PROFIT AND LOSS ACCOUNT for the 28 weeks ended 11 April 2009

		<i>28 weeks ended 11 April 2009</i>	<i>28 weeks ended 12 April 2008</i>	<i>52 weeks ended 27 September 2008</i>
	<i>Notes</i>	<i>Unaudited £m</i>	<i>Unaudited £m</i>	<i>£m</i>
TURNOVER	2	862	853	1,607
Cost and overheads		(748)	(704)	(1,508)
		<hr/>	<hr/>	<hr/>
OPERATING PROFIT	3	114	149	99
NON-OPERATING EXCEPTIONAL ITEMS:				
(Loss)/Profit on sale of fixed assets		(2)	13	5
		<hr/>	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		112	162	104
Interest receivable and similar income		4	3	4
Interest payable and similar charges	4	(75)	(76)	(140)
		<hr/>	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		41	89	(32)
Tax on profit on ordinary activities	5	24	15	53
		<hr/>	<hr/>	<hr/>
PROFIT FOR THE PERIOD		65	104	21
		<hr/>	<hr/>	<hr/>

All turnover and costs are derived from continuing operations.

Mitchells & Butlers Retail Limited

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS for the 28 weeks ended 11 April 2009

	<i>28 weeks ended 11 April 2009 Unaudited £m</i>	<i>28 weeks ended 12 April 2008 Unaudited £m</i>	<i>52 weeks ended 27 September 2008 £m</i>
<i>Note</i>			
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	65	104	21
Impairment of tangible fixed assets charged to revaluation reserve	-	-	(170)
Dividends	6	(52)	(146)
	<hr/>	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN SHAREHOLDERS' FUNDS	5	52	(295)
	<hr/>	<hr/>	<hr/>
Opening shareholders' funds – restated *	2,967	3,262	3,262
	<hr/>	<hr/>	<hr/>
CLOSING SHAREHOLDERS' FUNDS	2,972	3,314	2,967
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* - Restated in respect of a change in accounting policy. Further details are contained in note 1.

Mitchells & Butlers Retail Limited

BALANCE SHEET

at 11 April 2009

		<i>11 April 2009 Unaudited</i>	<i>12 April 2008 Unaudited</i>	<i>27 September 2008</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
FIXED ASSETS				
Tangible assets		3,902	4,327	3,924
Investments		21	21	21
		<hr/>	<hr/>	<hr/>
		3,923	4,348	3,945
CURRENT ASSETS				
Stocks		25	21	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	24	35
Investments		-	50	48
Cash at bank and in hand		82	67	70
		<hr/>	<hr/>	<hr/>
		1,772	1,806	1,819
CREDITORS: amounts falling due within one year				
Term Advances with Mitchells & Butlers Finance plc	8	(52)	(41)	(41)
Other		(276)	(315)	(333)
		<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS		1,444	1,450	1,445
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>	<hr/>
		5,376	5,798	5,390
CREDITORS: amounts falling due after more than one year				
Term Advances with Mitchells & Butlers Finance plc	8	(2,293)	(2,346)	(2,319)
Other		(1)	(1)	(1)
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation		(101)	(137)	(103)
		<hr/>	<hr/>	<hr/>
NET ASSETS		2,972	3,314	2,967
CAPITAL AND RESERVES		<hr/>	<hr/>	<hr/>
Share capital		4	4	4
Share premium account		1,561	1,561	1,561
Revaluation reserve		1,169	1,388	1,174
Profit and loss account		238	361	228
		<hr/>	<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		2,972	3,314	2,967
		<hr/>	<hr/>	<hr/>

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 11 April 2009

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 whereby 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 Mitchells & Butlers Retail Limited ('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 27 September 2008. 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 435 of the Companies Act 2006.

The financial information for the 52 weeks ended 27 September 2008 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 11 April 2009 and 12 April 2008 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.

Prior year change in accounting policy

During the year ended 27 September 2008, the Company changed its accounting policy relating to the valuation of fixed assets. The Company has adopted a policy of revaluing its freehold and long leasehold land and buildings to fair market value as permitted by FRS 15. This aligned the Company's policy with the policy adopted by the group. The effect of the change was to increase opening 2008 net assets by £1,090m, represented by an increase in the 2008 net book value of tangible fixed assets of £1,092m and to reduce the 2007 profit by £2m as a result of a downwards revaluation below historic cost of certain assets recognised in the profit and loss account.

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 11 April 2009

2. 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 11 April 2009 Unaudited £m</i>	<i>28 weeks ended 12 April 2008 Unaudited £m</i>	<i>52 weeks ended 27 September 2008 £m</i>
Pubs & Bars	487	485	902
Restaurants	375	368	705
Turnover	<u>862</u>	<u>853</u>	<u>1,607</u>

3. OPERATING PROFIT

	<i>28 weeks ended 11 April 2009 Unaudited £m</i>	<i>28 weeks ended 12 April 2008 Unaudited £m</i>	<i>52 weeks ended 27 September 2008 £m</i>
EBITDA	175	208	398
Depreciation	(57)	(58)	(111)
Impairment charge in respect of tangible fixed assets	(4)	(1)	(188)
Operating Profit	<u>114</u>	<u>149</u>	<u>99</u>

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS at 11 April 2009

4. INTEREST (PAYABLE)/RECEIVABLE AND SIMILAR CHARGES

	<i>28 weeks ended 11 April 2009 Unaudited £m</i>	<i>28 weeks ended 12 April 2008 Unaudited £m</i>	<i>52 weeks ended 27 September 2008 £m</i>
Interest payable to Mitchells & Butlers Finance plc	(75)	(76)	(140)
Interest receivable			
- Exceptional interest on tax creditor	3	-	-
- Other	1	3	4
Total interest receivable	4	3	4

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>28 weeks ended 11 April 2009 Unaudited £m</i>	<i>28 weeks ended 12 April 2008 Unaudited £m</i>	<i>52 weeks ended 27 September 2008 £m</i>
UK corporation tax	14	37	67
Group relief received for nominal consideration	(14)	(37)	(71)
Deferred tax	(2)	(15)	(49)
Corporation tax – prior years	(22)	-	-
	(24)	(15)	(53)
Further analysed as tax relating to:			
Operating profit before exceptional items	(8)	(13)	(5)
Exceptional items – deferred tax	(1)	(2)	(48)
– corporation tax	(15)	-	-
	(24)	(15)	(53)

The £(15)m exceptional corporation tax credit is the release in this company of provisions relating to tax matters which have been settled principally relating to demerger costs and qualifying capital expenditure.

6. DIVIDENDS

During the period, the Company has paid interim dividends totalling £60m (2008: 28 weeks £52m, 52 weeks £146m), 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 at 11 April 2009

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 2034
- Class C2 floating rate Term Advance for £50m due 2036
- Class D1 floating rate Term Advance for £110m due 2038

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%

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 at 11 April 2009

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

The carrying value of the Term Advances at 11 April 2009 is analysed as follows:

	£m
Principal outstanding at 27 September 2008	2,375
Principal repaid during the period	(22)
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Principal outstanding at 11 April 2009	2,353
Deferred finance costs	(17)
Accrued interest	9
	<hr/>
Carrying value at 11 April 2009	2,345
	<hr/>
Maturity profile:	
Amounts falling due within one year	52
Amounts falling due after more than one year	2,293
	<hr/>
	2,345
	<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 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.

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 11 APRIL 2009

	<i>Q1 Investor Report</i>	<i>Q2 Investor Report</i>	<i>Q1 + Q2 Interim Investor Report</i>	<i>Reconciling items*</i>	<i>Semi-Annual Financial Statements</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>		<i>£m</i>
Turnover	486	376	862	-	862
Operating expenses	(426)	(318)	(744)	(4)	(748)
Operating profit	60	58	118	(4)	114
Depreciation	32	25	57	4	61
EBITDA	92	83	175	-	175

* Fair value and impairment adjustments to tangible fixed assets (non-cash)