

Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 14 April 2018

Registration Number: 24542

Mitchells & Butlers Retail Limited
Income statement for the 28 weeks ended 14 April 2018

		28 weeks ended 14 April 2018 £m	28 weeks ended 8 April 2017 £m	53 weeks ended 30 September 2017 £m
	Notes			
Revenue		856	859	1,656
Operating costs		(726)	(727)	(1,387)
Separately disclosed items		-	(2)	(33)
OPERATING PROFIT	2	<u>130</u>	<u>130</u>	<u>236</u>
Finance revenue		-	-	1
Finance costs	3	(64)	(65)	(123)
PROFIT BEFORE TAXATION		<u>66</u>	<u>65</u>	<u>114</u>
Tax expense	4	(11)	(10)	(4)
PROFIT FOR THE PERIOD		<u><u>55</u></u>	<u><u>55</u></u>	<u><u>110</u></u>

The above results are derived from continuing operations.

Mitchells & Butlers Retail Limited

Statement of comprehensive income for the 28 weeks ended 14 April 2018

	Notes	28 weeks ended 14 April 2018 £m	28 weeks ended 8 April 2017 £m	53 weeks ended 30 September 2017 £m
PROFIT FOR THE PERIOD		55	55	110
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of the property portfolio		-	-	57
Tax relating to items not reclassified	4	4	4	(8)
		<u>4</u>	<u>4</u>	<u>49</u>
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges:				
-Gains arising during the period		6	42	67
-Reclassification adjustments for items included in profit or loss		22	22	44
Tax charge relating to items that may be reclassified	4	(5)	(11)	(19)
		<u>23</u>	<u>53</u>	<u>92</u>
OTHER COMPREHENSIVE INCOME AFTER TAX		<u>27</u>	<u>57</u>	<u>141</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>82</u>	<u>112</u>	<u>251</u>

Mitchells & Butlers Retail Limited

(Registration number: 24542)

Balance sheet as at 14 April 2018

		14 April 2018 £m	8 April 2017 £m	30 September 2017 £m
NON-CURRENT ASSETS				
Intangible assets		1	1	1
Property, plant and equipment	6	3,836	3,770	3,808
Investments in subsidiaries		21	21	21
Deferred tax asset		45	58	50
Lease premiums		1	1	1
TOTAL NON-CURRENT ASSETS		3,904	3,851	3,881
CURRENT ASSETS				
Inventories		20	19	18
Trade and other receivables	7	1,662	1,660	1,664
Cash and cash equivalents		79	101	97
Assets held for sale		-	31	1
TOTAL CURRENT ASSETS		1,761	1,811	1,780
TOTAL ASSETS		5,665	5,662	5,661
CURRENT LIABILITIES				
Trade and other payables	8	(237)	(229)	(228)
Corporation tax liabilities		(2)	(12)	(2)
Borrowings	9	(84)	(77)	(82)
Derivative financial instruments	10	(40)	(44)	(43)
TOTAL CURRENT LIABILITIES		(363)	(362)	(355)
NET CURRENT ASSETS		1,398	1,449	1,425
TOTAL ASSETS LESS CURRENT LIABILITIES		5,302	5,300	5,306
NON-CURRENT LIABILITIES				
Borrowings	9	(1,745)	(1,830)	(1,783)
Derivative financial instruments	10	(224)	(294)	(248)
Deferred tax liabilities		(278)	(281)	(283)
Provisions		(9)	(5)	(8)
TOTAL NON-CURRENT LIABILITIES		(2,256)	(2,410)	(2,322)
TOTAL LIABILITIES		(2,619)	(2,772)	(2,677)
NET ASSETS		3,046	2,890	2,984
EQUITY				
Share capital		4	4	4
Hedging reserve		(219)	(281)	(242)
Revaluation reserve		1,065	1,018	1,065
Profit and loss account		2,196	2,149	2,157
TOTAL EQUITY		3,046	2,890	2,984

Mitchells & Butlers Retail Limited
Statement of Changes in Equity for the 28 weeks ended 14 April 2018

	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 24 September 2016	4	1,018	(334)	2,090	2,778
Profit for the period	-	-	-	55	55
Other comprehensive income	-	-	53	4	57
Total comprehensive income	-	-	53	59	112
At 8 April 2017	4	1,018	(281)	2,149	2,890
Profit for the period	-	-	-	55	55
Other comprehensive income/(expense)	-	47	39	(2)	84
Total comprehensive income	-	47	39	53	139
Dividends	-	-	-	(45)	(45)
At 30 September 2017	4	1,065	(242)	2,157	2,984
Profit for the period	-	-	-	55	55
Other comprehensive income	-	-	23	4	27
Total comprehensive income	-	-	23	59	82
Dividends	-	-	-	(20)	(20)
At 14 April 2018	4	1,065	(219)	2,196	3,046

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 14 April 2018

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').

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial information for the 53 weeks ended 30 September 2017 has been extracted from the Company's published financial statements for that period, 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 14 April 2018 and 8 April 2017 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.

These semi-annual financial statements have been prepared in order to meet the financial reporting requirements included in the Issuer/Borrower Facility Agreement dated 13 November 2003, as amended and restated on 15 September 2006 (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 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

2. OPERATING PROFIT

	28 weeks ended 14 April 2018 £m	28 weeks ended 8 April 2017 £m	53 weeks ended 30 September 2017 £m
EBITDA	180	180	358
Depreciation and amortisation	(50)	(48)	(89)
Movement in the valuation of the property portfolio ^a	(2)	(2)	(28)
Profit arising on property disposals	2	-	-
Onerous lease provision additions ^b	-	-	(5)
Operating Profit	130	130	236

- a. A £2m impairment charge has been recognised for the 28 weeks ended 14 April 2018 on short leasehold properties where their carrying values exceed their recoverable amount.

The £2m charge for the 28 weeks ending 8 April 2017 relates to an impairment of assets on their transfer to assets held for sale.

53 weeks ended 30 September 2017 includes an additional movement of £26m in the valuation of the property portfolio, comprising £4m of impairment recognised on short leasehold and unlicensed properties where their carrying values exceed their recoverable amount, and a £22m charge arising from the Company's annual revaluation of its pub estate.

- b. During the period ending 30 September 2017, a review of estate strategy in relation to managed leasehold sites was completed, with specific focus on the challenges around loss making sites and those located on retail and leisure parks. The losses were considered unavoidable for the remaining committed lease term. In addition, the discount rate applied in the calculation was updated. As a result, the onerous lease provision was increased significantly with the majority of this increase recognised as a separately disclosed item.

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Notes to the semi-annual financial statements for the 28 weeks ended 14 April 2018

3. FINANCE COSTS

	28 weeks ended 14 April 2018 £m	28 weeks ended 8 April 2017 £m	53 weeks ended 30 September 2017 £m
Intercompany interest on Term Advances	(62)	(63)	(120)
Liquidity facility fees reimbursed to Mitchells & Butlers Finance plc	(2)	(2)	(3)
Total finance costs	(64)	(65)	(123)

4. TAXATION

	28 weeks ended 14 April 2018 £m	28 weeks ended 8 April 2017 £m	53 weeks ended 30 September 2017 £m
Taxation – income statement			
Current taxation:			
UK corporation tax	(12)	(13)	(27)
UK corporation tax adjustments to prior periods	(1)	-	3
Group relief received for nil payment	1	2	8
	<u>(12)</u>	<u>(11)</u>	<u>(16)</u>
Deferred taxation			
Arising from origination and reversal of temporary differences	1	1	12
	<u>1</u>	<u>1</u>	<u>12</u>
Total tax expense recognised in the income statement	(11)	(10)	(4)

	28 weeks ended 14 April 2018 £m	28 weeks ended 8 April 2017 £m	53 weeks ended 30 September 2017 £m
Taxation - other comprehensive income			
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gains due to revaluations – revaluation reserve	-	-	(10)
Unrealised gains due to revaluations – retained earnings	4	4	2
	<u>4</u>	<u>4</u>	<u>(8)</u>
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	(5)	(11)	(19)
Total tax charge recognised in other comprehensive income	(1)	(7)	(27)

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 14 April 2018

4. TAXATION (CONTINUED)

Tax has been calculated using an estimated annual effective rate of 19.0% (2017 28 weeks 19.5%) on profit before tax.

The Finance (No.2) Act 2015 was enacted on 18 November 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balances at 8 April 2017, 30 September 2017 and 14 April 2018.

5. DIVIDENDS

During the period, the Company has paid dividends of £20m (2017 28 weeks £nil, 53 weeks £45m). Dividend payments are made by the Company to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited.

6. PROPERTY, PLANT AND EQUIPMENT

	14 April 2018 £m	8 April 2017 £m	30 September 2017 £m
At beginning of period	3,808	3,780	3,780
Additions	81	72	121
Impairment/revaluation	(2)	(2)	29
Disposals	(1)	(1)	(3)
Depreciation provided during the period	(50)	(48)	(88)
Transfers to assets held for sale	-	(31)	(31)
At end of period	<u>3,836</u>	<u>3,770</u>	<u>3,808</u>

7. TRADE AND OTHER RECEIVABLES

	14 April 2018 £m	8 April 2017 £m	30 September 2017 £m
Trade receivables	2	1	2
Amounts owed by other group undertakings*	1,645	1,646	1,646
Prepayments	12	12	14
Other receivables	3	1	2
Total trade and other receivables	<u>1,662</u>	<u>1,660</u>	<u>1,664</u>

*Includes an amount of £1,362m (8 April 2017 £1,362m, 30 September 2017 £1,362m) owed by Mitchells & Butlers Retail Holdings Ltd and £282m (8 April 2017 £282m, 30 September 2017 £282m) owed by Mitchells & Butlers plc. These amounts are non-interest bearing loans.

8. TRADE AND OTHER PAYABLES

	14 April 2018 £m	8 April 2017 £m	30 September 2017 £m
Accrued expenses	47	51	46
Social security and other taxes	47	47	43
Other payables	29	14	28
Amounts owed to group undertakings	114	117	111
Total trade and other payables	<u>237</u>	<u>229</u>	<u>228</u>

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 14 April 2018

9. BORROWINGS

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 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.

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

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
- Class AB floating rate Term Advance for £325m
- Class C2 floating rate Term Advance for £50m
- Class D1 floating rate Term Advance for £110m

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

Tranche	Interest	Margin
A1N	3 month LIBOR	0.46%
A3N	3 month LIBOR	0.46%
A4	3 month LIBOR	0.59%
AB	3 month LIBOR	0.61%
C2	3 month LIBOR	1.89%
D1	3 month LIBOR	2.14%

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

The carrying value of the Term Advances is analysed as follows:

	14 April 2018 £m	8 April 2017 £m	30 September 2017 £m
Principal outstanding at beginning of the period	1,867	1,944	1,944
Principal repaid during the period	(41)	(38)	(77)
Principal outstanding at end of period	<u>1,826</u>	<u>1,906</u>	<u>1,867</u>
Deferred issue costs	(6)	(6)	(6)
Accrued interest	9	7	4
Carrying value at end of period	<u>1,829</u>	<u>1,907</u>	<u>1,865</u>
Maturity profile:			
Amounts falling due within one year	84	77	82
Amounts falling due after more than one year	1,745	1,830	1,783
	<u>1,829</u>	<u>1,907</u>	<u>1,865</u>

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 14 April 2018

9. BORROWINGS (CONTINUED)

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

The securitisation is governed by various covenants, warranties and events of default, many of which apply to the Company, being the Group's main operating subsidiary. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on its ability to move cash, by way of dividends for example, to other group companies. At 14 April 2018, the Company had cash and cash equivalents of £79m (8 April 2017 £101m, 30 September 2017 £97m). Of this amount £1m (8 April 2017 £1m, 30 September 2017 £1m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions. The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

10. FINANCIAL INSTRUMENTS

Derivative Financial Instruments

The fair value of the derivative financial instruments are disclosed below:

	Total Liabilities		Total £m
	Less than one year £m	More than one year £m	
14 April 2018			
Cash flow hedges			
Intercompany interest rate swaps	<u>40</u>	<u>224</u>	<u>264</u>

	Total Liabilities		Total £m
	Less than one year £m	More than one year £m	
8 April 2017			
Cash flow hedges			
Intercompany interest rate swaps	<u>44</u>	<u>294</u>	<u>338</u>

	Total Liabilities		Total £m
	Less than one year £m	More than one year £m	
30 September 2017			
Cash flow hedges			
Intercompany interest rate swaps	<u>43</u>	<u>248</u>	<u>291</u>

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 14 April 2018

11. 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 the Agreement.

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.

Mitchells & Butlers Retail Limited
Reconciliation between Investor Report and Financial Statements

28 Weeks ended 14 April 2018

	Final Investor Report £m	Adjusting Items £m	Financial Statements £m
Turnover	856.0	0	856
Operating Expenses	(726.2)	0	(726)
Operating Profit	129.7	0	130
Add back Adjusting items	0.0	0	0
Depreciation & Amortisation	50.6	0	50
EBITDA	<u>180.3</u>	<u>0</u>	<u>180</u>