Registration number: 24542

Mitchells & Butlers Retail Limited

Annual Report and Financial Statements

for the 52 weeks ended 24 September 2016

Mitchells & Butlers Retail Limited

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Mitchells & Butlers Retail Limited

Strategic Report for the 52 weeks ended 24 September 2016

Mitchells & Butlers Retail Limited ("the Company") is a private company limited by shares and is a subsidiary company of Mitchells & Butlers plc. Mitchells & Butlers plc, along with its subsidiaries, form the Mitchells and Butlers group of companies ("the Group").

The Directors present their Strategic Report for the 52 weeks ended 24 September 2016.

Business Model

Fair review of the business
The Company is a UK operator of pubs and restaurants with an estate of 1,356 managed outlets and 48 leased outlets at 24 September 2016 (2015 1,361 managed outlets and 49 leased outlets).

Over the last year we have continued to focus on our priorities: to build a more balanced business; to instil a more commercial culture; and to grow through technology and innovation.

As the year progressed we started to see early positive results from our work on these priorities. Sales were challenging in the first half of the year but our sales performance improved in the second half of the year. This was in part driven by an increased level of capital investment in our sites but also reflected an improvement in the performance of our sites which have not seen recent investment.

Profits have been impacted by the National Living Wage, which was introduced from April 2016, and saw a 7.5% increase in the minimum rate of pay for those aged 25 and over. Our profits were also impacted by the acceleration in investment in our businesses, as we incur a greater number of closure weeks and pre-opening costs. This is an unavoidable short-term impact of improving the level of amenity in our businesses but is the right thing to do to enhance our long-term prospects.

Market supply
In recent years the eating-out market saw a significant increase in the supply of restaurants: in the year to June 2015 there had been more than 1,700 net restaurant openings. This provided us with many new local competitors and impacted our mid-market brands in particular, as a number of these openings were close to our own high-quality trading locations.

Since the summer of 2015 the rate of openings has slowed considerably, most likely as a result of the cost headwinds the sector faces, notably the announcement of the National Living Wage in July 2015. Net restaurant openings are now broadly flat, which gives us an opportunity to win back market share. It therefore remains imperative that we focus on our priorities to maintain our competitive position through our range of brands and formats, our high quality locations, and the delivery of our offers to guests.

Building a more balanced business
Over the coming years we are setting out to improve the quality of the estate: by exposing it to more premium market spaces and by improving the overall level of amenity. More premium market spaces are those in which we would expect to see the strongest growth, and they offer a form of long-term mitigation towards cost inflation. This approach is leading us to convert several of our businesses towards more premium concepts (both existing and new) as well as selective site disposals where appropriate. To this end, we have carried out a full estate review which gives us a plan for each of our sites.

The amenity level of our estate is improved through our remodel programme, which encompasses all our brands and allows us to develop the guest proposition whilst maintaining and enhancing the estate through capital investment. We aim to move towards a six-year investment cycle for all our sites.

Instilling a more commercial culture
We have focused our work in this area across a wide range of activities. There has been a significant drive towards resolving our guests' complaints more quickly, with our target set at less than 2 days. This will continue to be an important area for our teams.

Much of our work in this area has been around creating a more sales-focused culture, and we will continue to have an ongoing number of initiatives aiming to achieve this. Examples from the last year include dedicated sales training provided to all the operational teams, an incentive scheme in the second half of the year which awarded cash bonuses for improving sales trends, and the establishment of a London-based sales team to fill secondary space and increase levels of corporate bookings.

Grow through innovation and technology
Innovation and technology are critical areas for us as a business, in terms of efficiency, attracting and interacting with guests and remaining competitive in our markets. As a result, and as with our other priorities, there has been much activity in this space.

A key area of focus is to build on our existing technology, given the systems investment we have made in recent years. We have developed our online bookings system to increase the availability of short-term bookings, but also to integrate with third party booking providers to extend our reach. Our online restaurant bookings have grown, and we have significantly increased third party bookings in the last year.

We have also developed our digital strategy across all the key areas in which we can interact with our guests: acquisition, experience, customer relationship management , loyalty, and social media. The relentless nature of digital is such that we must work across each of these areas. In the last year we have worked to increase our social media presence, we have consolidated guests' details on our central database, our gift card sales have increased significantly and we have carried out various campaigns with affiliates.

We have increased our use of TripAdvisor as a guest interaction tool, providing all our house managers with accounts and encouraging its usage. We will look to develop this further in the year ahead, but have already seen the number of reviews significantly increase, as well as our average rating.

Key performance indicators
The Company is the principal trading division of the Mitchells & Butlers plc Group and the performance of the Company is monitored as part of the wider Group, using similar key performance indicators. These are discussed in the Annual Report and Accounts 2016 of Mitchells & Butlers plc and include staff turnover, net promoter score, same outlet like-for-like sales growth and incremental return on expansionary capital.

Further explanation of the performance and reasons for the movements can be found in the Annual Report and Accounts 2016 of Mitchells & Butlers plc.

Principal risks and uncertainties
The Company's Directors consider the risks for the Company to be largely the same as the risks of the Group that are discussed in the Annual Report and Accounts 2016 of Mitchells & Butlers plc. These include, but are not restricted to the following:

• Market risks

Consumer and market insight
Social and demographic changes are driving the long-term growth in eating-out, whilst at the same time leading to a steady decline in the sales of on-trade drinks without food. There is a risk that the Company may not manage and develop its brands in line with consumer needs and market trends, due to failure to obtain or use sufficient insight in a timely manner.

To mitigate this risk, the Company reviews guest feedback submitted in online guest satisfaction surveys. This feedback together with the results of research studies is monitored and evaluated by a dedicated guest insight team to ensure that the Company's brands remain relevant to guests. In addition, the Company operates a consumer and market insight led process to innovate and develop new brands.

Pricing and market changes
External influences, such as changes in the general economic climate or competitor activity, could have a detrimental effect on consumers' spending patterns. In responding to these changes, there is a risk that the Company may not apply price changes intelligently, due to a lack of appreciation of market sensitivities and elasticities

The Company performs regular monitoring and scrutiny of sales reporting in order to identify adverse trends sufficiently early to take remedial action. There is an increased focus on digital marketing activity and sales training has also been made available for all Retail Management employees. Each Brand also has its own pricing strategy and price promotions are regularly monitored.

• Operational risks

People planning and development
The Company has a strong guest focus, and as such it is important that it is able to attract, retain, develop and motivate the best people with the right capabilities. There is a risk that without the right people our customer service levels would be affected.

The Company makes significant investment in training to ensure that its people have the right skills to perform their jobs successfully. Furthermore, an employee survey is conducted annually to establish employee satisfaction and engagement and this is compared with other companies, as well as previous surveys. Where appropriate, changes in working practices are made in response to the findings of these surveys.

Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process is used to provide structured succession planning.

Business continuity and crisis management
The Company relies on its food and drink supply chain and the key IT systems underlying the business to serve its guests efficiently and effectively. Supply chain interruption, IT system failure or crises such as terrorist activity or the threat of disease pandemic might restrict sales or reduce operational effectiveness.

The Company has in place crisis and continuity plans that are tested and refreshed regularly.

Food Supply Chain Safety
Malicious or accidental contamination in the supply chain can lead to food goods being unfit for human consumption or potentially dangerous to consume. This leads to restrictions in supply which in turn causes an increase in cost of goods and reduced sales due to consumer fears and physical harm to customers or employees.

The Company uses a number of technical partners to help prevent contamination. All food products are risk rated using standard industry definitions and take account of the way products are used within our kitchens. Suppliers are also risk rated according to their products, with each food supplier being audited once per annum in respect of safety and additionally in response to a serious food safety complaint or incident.

Wage Cost Inflation
There is a risk that increased costs associated with the introduction of the National Living Wage may adversely impact upon overall operational costs.

A detailed review of the risks associated with successfully implementing the National Living Wage has been completed. This review has been undertaken at a strategic level and seeks to ensure that appropriate mitigating actions are in place, some of which are in relation to how the Company carefully manages productivity and efficiency across the estate. Implementation of the National Living Wage will continue to remain an area of focus as we enter FY 2017. In addition, we are also currently trialling a new time and attendance system to improve the management controls and reporting of staff hours.

- **Finance risks**

Borrowing covenants
There are risks that borrowing covenants are breached because of circumstances such as:
i. A change in the economic climate leading to reduced cash inflows; or
ii. A material change in the valuation of the property portfolio.

The Company maintains headroom against these risks. The finance team conducts daily cash forecasting with periodic reviews at the Treasury Committee, the roles of which include ensuring that the Board Treasury Policy is adhered to, monitoring its operation and agreeing appropriate strategies for recommendation to the Board. In addition, regular forecasting and testing of covenant compliance is performed and frequent communication is maintained with the Securitisation Trustee.

- **Regulatory risks**

Failure to operate safely and legally
A major health and safety failure could lead to illness, injury or loss of life, and could cause significant damage to the Company's or a brand's reputation.

The Company maintains a robust programme of health and safety checks both within its restaurants and pubs and throughout the supply chain. A number of technical partners are used, including food technologists, food safety experts, a microbiologist, allergy consultants and trading standards specialists etc., to ensure that our food procedures are safe. Regular independent audits of trading sites are performed to ensure that procedures are followed and that appropriate standards are maintained. Food suppliers are required to meet the British Retail Consortium Global Standard for Food Safety and are subject to regular safety and quality audits. Comprehensive health and safety training programmes are in place.

Mitchells & Butlers Retail Limited

Strategic Report for the 52 weeks ended 24 September 2016 (continued)

Future developments

The company aims to deliver long-term sustainable value through organic growth. The strategy to achieve this goal has three core elements:

• Building a more balanced business to ensure exposure to the right market segments by having the correct trading brand or concept in each outlet, based on location, site characteristics and local demographics.

• Instil a more commercial culture by engaging our teams in delivering outstanding guest experiences and by acting quickly and decisively to remain competitive in our fast-changing marketplace.

• Grow through innovation and technology, ensuring that our brands and formats remain fresh and relevant within their market segments, and by leveraging the increasing role that technology can play in improving guest experience.

Approved by the Board on 21 November 2016 and signed on its behalf by:

A W Vaughan
Director

Mitchells & Butlers Retail Limited

Directors' Report for the 52 weeks ended 24 September 2016

The Directors present their annual report and the financial statements for the 52 weeks ended 24 September 2016.

Results
Revenue for the period was £1,607m (2015 £1,627m) with profit for the period before taxation of £127m (2015 £118m). Taxation charged against the profit for the period was £27m (2015 £7m) leaving a profit after tax of £100m (2015 £111m).

During the period, a bonus issue of 214,000,000 ordinary shares of £1 each was made to Mitchells & Butlers Retail Holdings Limited for an aggregate consideration of £214m fully paid up by the Company's revaluation reserve. This resulted in an increase in share capital of £214m and a reduction in the revaluation reserve of £214m.

Following this, a share capital reduction was undertaken to reduce the nominal value of the 214,000,000 bonus shares to £0.0001 each, reducing the aggregate nominal value to £21,400. In addition, as part of this capital reduction, the Company's share premium account of £1,561m has been cancelled, reducing the share premium account to £nil.

Dividends
Dividends paid during the period are disclosed in note 22.

Going concern
The financial statements have been prepared on a going concern basis. The Directors of Mitchells & Butlers plc, the ultimate parent undertaking have stated that they will continue to make funds available to the Company to enable it to meet its debts as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of the balance sheet.

Treasury Management
The financial risks faced by the Company are identified and managed by the Group Treasury department (see note 17).

Securitisation
Since November 2003, the Company has operated within the Mitchells & Butlers securitisation structure. Under this securitisation structure, the Company has borrowed £1,944m (2015 £2,010m) 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 Group and the issuer of secured loan notes to third party investors for the same amount.

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.

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 by MAB Leisure Retail, a management and service company, which is a fellow subsidiary within the Group.

Directors of the company
The Directors who held office during the period and up to the date of this report were as follows:

L J Miles

A W Vaughan

G McMahon

S K Martindale

Employment policies
Through its diversity policy, the Company aims to provide an environment which enables people with disabilities to perform better by reviewing any reasonable adjustments that could be made to the duties, hours worked or working environment in respect of a disabled employee or potential employee. Candidates can inform the Company about their disability through the use of an online recruitment system, so that reasonable adjustments can be made during any assessment events, allowing them to perform to the best of their ability.

Should any employee of the Company become disabled during their time with it, the Company actively makes reasonable adjustments in accordance with current legislation, including arranging appropriate training, to retain them.

Employee engagement
The Company engages with its employees in a number of ways including;

• a dedicated portal, 'Our Hub';
• a monthly magazine poster, Frontline News;
• line manager briefings; and
• communications road-shows held by brands across the Company.

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in restaurants and pubs, pulse surveys and an annual Business Forum.

Our employees participate in e-learning, covering food, health and fire safety, Challenge 21 and Intermediate Food Hygiene. We also provide a visual training library which houses short training videos to share best practice tips, health and safety, kitchen and cooking skills.

Employees can participate in the success of the business through employee share schemes.

Disclosure of information to the auditors
The Directors who held office as at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and that each Director has taken all the steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Reappointment of auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 21 November 2016 and signed on its behalf by:

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A W Vaughan
Director

Mitchells & Butlers Retail Limited

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounted Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of Mitchells & Butlers Retail Limited

We have audited the financial statements of Mitchells & Butlers Retail Limited for the 52 weeks ended 24 September 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 24 September 2016 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

• the information given in the Strategic report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

In the light of this knowledge and understanding of the Company and it's environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Director's Report.

Independent Auditor's Report to the members of Mitchells & Butlers Retail Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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Kate Hadley (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

Birmingham, UK

21 November 2016

Mitchells & Butlers Retail Limited

Income statement for the 52 weeks ended 24 September 2016

	Note	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Revenue	2	1,607	1,627
Operating costs	3	(1,336)	(1,354)
Separately disclosed items	4	(21)	(30)
Profit on property disposals*		1	4
OPERATING PROFIT		251	247
Finance revenue	6	1	1
Finance costs	7	(125)	(130)
PROFIT BEFORE TAXATION		127	118
Tax	8	(27)	(7)
PROFIT FOR THE PERIOD		100	111

The above results are derived from continuing operations.

* In the prior period this relates to the release of an accrual for costs in relation to the disposal of properties in prior periods.

The notes on pages 16 to 46 form an integral part of these financial statements.

Mitchells & Butlers Retail Limited

Statement of Comprehensive Income for the 52 weeks ended 24 September 2016

	Note	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
PROFIT FOR THE PERIOD		100	111
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation of property portfolio	10	194	9
Tax relating to items not reclassified	8	5	(2)
		199	7
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- Losses arising during the period	17	(150)	(100)
- Reclassification adjustments for losses included in profit or loss	17	43	45
Tax relating to items that may be reclassified	8	9	11
		(98)	(44)
OTHER COMPREHENSIVE INCOME/(EXPENSE) AFTER TAX		101	(37)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		201	74

The notes on pages 16 to 46 form an integral part of these financial statements.

Mitchells & Butlers Retail Limited

(Registration number: 24542)

Balance Sheet as at 24 September 2016

	Note	24 September 2016 £ m	26 September 2015 £ m
NON-CURRENT ASSETS			
Intangible assets	9	2	2
Property, plant and equipment	10	3,780	3,585
Investments in subsidiaries	12	21	21
Deferred tax asset	19	68	59
Lease premiums		1	1
TOTAL NON-CURRENT ASSETS		3,872	3,668
CURRENT ASSETS			
Inventories	13	18	18
Trade and other receivables	14	1,652	1,666
Cash and cash equivalents		103	108
TOTAL CURRENT ASSETS		1,773	1,792
TOTAL ASSETS		5,645	5,460
CURRENT LIABILITIES			
Trade and other payables	15	(224)	(228)
Corporation tax liability		(12)	-
Borrowings	16	(75)	(66)
Derivative financial instruments	17	(44)	(43)
TOTAL CURRENT LIABILITIES		(355)	(337)
NET CURRENT ASSETS		1,418	1,455
NON-CURRENT LIABILITIES			
Borrowings	16	(1,865)	(1,940)
Derivative financial instruments	17	(358)	(252)
Deferred tax liabilities	19	(286)	(310)
Provisions	20	(3)	(4)
TOTAL NON CURRENT LIABILITIES		(2,512)	(2,506)
TOTAL LIABILITIES		(2,867)	(2,843)
NET ASSETS		2,778	2,617
EQUITY			
Share capital	21	4	4
Share premium account	21	-	1,561
Hedging reserve		(334)	(236)
Revaluation reserve		1,018	1,040
Retained earnings		2,090	248
TOTAL EQUITY		2,778	2,617

Approved by the Board and authorised for issue on 21 November 2016. They were signed on its behalf by:

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A W Vaughan

Director

The notes on pages 16 to 46 form an integral part of these financial statements.

Statement of Changes in Equity for the 52 weeks ended 24 September 2016

	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Hedging reserve £ m	Retained earnings £ m	Total £ m
At 28 September 2014	4	1,561	1,033	(192)	172	2,578
Profit for the period	-	-	-	-	111	111
Other comprehensive income	-	-	7	(44)	-	(37)
Total comprehensive income	-	-	7	(44)	111	74
Dividends	-	-	-	-	(35)	(35)
At 26 September 2015	4	1,561	1,040	(236)	248	2,617

	Note	Share capital £ m	Share premium £ m	Revaluation reserve £ m	Hedging reserve £ m	Retained earnings £ m	Total £ m
At 27 September 2015		4	1,561	1,040	(236)	248	2,617
Profit for the period		-	-	-	-	100	100
Other comprehensive income		-	-	192	(98)	7	101
Total comprehensive income		-	-	192	(98)	107	201
Dividends		-	-	-	-	(40)	(40)
Share capital issued	21	214	-	(214)	-	-	-
Capital reduction	21	(214)	(1,561)	-	-	1,775	-
At 24 September 2016		4	-	1,018	(334)	2,090	2,778

The notes on pages 16 to 46 form an integral part of these financial statements.

Mitchells & Butlers Retail Limited

Notes to the Financial Statements for the 52 weeks ended 24 September 2016

1 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

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

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, in the period the Company has undergone transition from reporting under UK Generally Accepted Accounting Principles (UK GAAP) to FRS 101 as issued by the Financial Reporting Council. These financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. These financial statements have incorporated the Amendments to FRS 101 issued by the Financial Reporting Council in July 2015 and the amendments to Company Law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016. The impact of this transition is shown in note 25.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, 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. Where relevant, equivalent disclosures have been given in the Annual Report and Accounts 2016 of Mitchells & Butlers plc.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company's ultimate parent undertaking, Mitchells & Butlers plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitchells & Butlers plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company Secretary, Mitchells & Butlers plc, 27 Fleet Street, Birmingham B3 1JP.

Accounting reference date
The Company's accounting reference date is 30 September. The Company has drawn up its financial statements for the 52 weeks ended 24 September 2016 the Saturday directly preceding the accounting reference date, as permitted by section 390(3) of the Companies Act 2006. The comparative period is for the 52 weeks ended 26 September 2015.

1 Accounting policies (continued)

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 S400 of Companies Act 2006 since the Company is a wholly owned subsidiary undertaking of another UK company. Group accounts are prepared by the ultimate parent company.

Going concern
The financial statements have been prepared on a going concern basis. The Directors of Mitchells & Butlers plc, the ultimate parent undertaking, have stated that they will continue to make funds available to the Company to enable it to meet its debts as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of the balance sheet.

Critical accounting judgements and estimates
The preparation of the financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense.

Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates are used when accounting for items such as depreciation, property valuation and asset impairments.

Adoption of new and revised Standards
None of the standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) and effective for the first time in the current period have had a material effect on the financial statements.

Revenue recognition
Revenue is the fair value of goods and services sold to third parties as part of the Company's trading activities, after deducting sales-based taxes, coupons and staff discounts.

The majority of revenue comprises food and beverages sold in the Company's businesses. This revenue is recognised at the point of sale to the customer.

Separately disclosed items
In addition to presenting information on an IFRS basis, the Company also presents adjusted profit information that excludes exceptional items. This adjusted information is disclosed to allow a better understanding of the underlying trading performance of the Company and is consistent with the Company's internal management reporting.

Separately disclosed items are those which are separately identified by virtue of their size or incidence and include movements in the valuation of the property portfolio as a result of the annual revaluation exercise, impairment review of short leasehold and unlicensed properties, restructuring costs and effects of corporation tax rate change.

1 Accounting policies (continued)

Property, plant and equipment
The majority of the Company's freehold and long leasehold licensed properties are re-valued annually and are therefore held at fair value less depreciation. Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment.

Depreciation
Depreciation is charged to the income statement on a straight- line basis to write off the cost less residual value over the estimated useful lives of items of property, plant and equipment and is commenced when an asset is ready for its intended use.

Freehold land is not depreciated.

Freehold and long leasehold properties are depreciated so that the difference between their carrying value and estimated residual value is written off over 50 years from the date of acquisition. The residual value of freehold and long leasehold properties is reviewed annually.

Leasehold properties are depreciated over the unexpired term of the lease where this is less than 50 years.

Fixtures, fittings and equipment have the following estimated useful lives:

Information technology equipment 3 to 7 years
Fixtures and fittings 3 to 20 years

Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Disposals
Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sales proceeds and the carrying amount of the asset at the date of disposal.

Revaluation
The revaluation utilises estimates of fair maintainable trade and valuation multiples, the latter being determined via third-party inspection of 20% of the sites such that all sites are individually valued approximately every five years; and estimates of fair maintainable trade. Valuation multiples derived via third-party inspections are used to value the remainder of the non-inspected estate via an extrapolation exercise, with the output of this exercise reviewed at a high level by the third-party valuer.

Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation adjustment which has been recognised in the income statement previously; in which case an amount equal to a maximum of that recognised in the income statement previously is recognised in income. Where the revaluation exercise gives rise to a deficit, this is reflected directly within the income statement, unless it is reversing a previous revaluation surplus against the same asset; in which case an amount equal to the maximum of the revaluation surplus is recognised within other comprehensive income (in the revaluation reserve).

1 Accounting policies (continued)

Impairment
Freehold properties excluded from the revaluation as a result of investment plans, along with short leasehold and unlicensed properties are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an outlet exceeds its recoverable amount. The recoverable amount is the higher of an outlet's fair value less costs to sell and value in use. Any changes in outlet earnings, or cash flows, the discount rate applied to those cash flows, or the estimate of sales proceeds could give rise to an additional impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately. An impairment reversal is only recognised where there is a change in the estimates used to determine recoverable amounts, not where it results from the passage of time.

Computer software
Computer software and associated development costs, which are not an integral part of a related item of hardware, are capitalised as an intangible asset and amortised on a straight line basis over their useful life. The period of amortisation ranges between three and seven years with the majority being five years.

Investments in subsidiaries
Investments in subsidiaries are stated at cost less any provision for impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months is disclosed as other cash deposits.

Trade receivables
Trade and other receivables are recognised and carried at original cost less an allowance for any uncollectable amounts.

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

Trade payables
Trade and other payables are recognised at original cost.

Taxation
The income tax expense represents both the income tax payable, based on profits for the period, and deferred tax and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are not taxable. Income tax is recognised in the income statement except when it relates to items charged or credited directly to equity, in which case the income tax is also charged or credited to equity.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount of their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value of assets and liabilities.

1 Accounting policies (continued)

Group tax relief
It is the policy of the Mitchells & Butlers plc Group for no payment to be made for group tax relief received.

Borrowings
Borrowings are stated initially at fair value (normally the amount of the proceeds) net of issue costs. Thereafter they are stated at amortised cost using an effective interest basis. Finance costs, which are the difference between the net proceeds and the total amount of payments to be made in respect of the instruments, are allocated over the term of the debt using the effective interest method.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured using the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Onerous property provisions represent the expected unavoidable losses on onerous and vacant property leases and comprise the lower of the net rent payable or the operating loss after rental costs. The provision is calculated on a site by site basis, with an estimated period of future losses ranging from three to five years. Other contractual dilapidations costs are also recorded as provisions as appropriate, over a period of five years prior to lease expiry.

Leases
Operating leases - Company as lessee
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and sub-leases are charged to the income statement on a straight line basis over the period of the lease. Lease incentives are recognised as a liability and a subsequent reduction in the rental expense over the lease term on a straight line basis.

Premiums paid on acquiring a new lease are spread on a straight line basis over the lease term. Such premiums are classified in the balance sheet as current or non-current prepayments, with the current portion being the element which relates to the following period.

The Company's policy is to account for land held under both long and short leasehold contracts as operating leases, since it has no expectation that title will pass on expiry of the lease contracts.

Operating leases - Company as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Dividends
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1 Accounting policies (continued)

Pensions
The Company's profit and loss account charge in respect of its defined contribution arrangements is equal to the contributions payable for the period.

Mitchells & Butlers plc, the sponsoring employer, accounts for pensions in accordance with IAS 19 Employee Benefits. Since there is no contractual agreement or policy in place to allocate the defined benefit plan across the subsidiaries that each employ members of these plans, which include the Company, the net defined benefit cost is recognised by Mitchells & Butlers plc.

The deficit in the Mitchells & Butlers plc pension plans, as measured on an IAS 19 basis, is recorded in the financial statements of Mitchells & Butlers plc, the sponsoring employer of the Mitchells & Butlers pension plans.

Share based payments
Share options and share awards are granted to employees of the Company by Mitchells & Butlers plc. Mitchells & Butlers plc accounts for share options and share awards in accordance with IFRS 2 Share-based Payment. The cost of such awards is measured at fair value, excluding the effect of non market-based vesting conditions, on the date of grant. The expense is recognised over the vesting period and is adjusted for the estimated effect of non market-based vesting conditions and forfeitures, on the number of shares that will eventually vest due to employees leaving the Company. Fair values are calculated using either the Black-Scholes, Binomial or Monte Carlo simulation models depending upon the conditions attached to the particular share scheme.

The Company's profit and loss account charge in respect of share-based payments represents an allocation of the overall charge incurred by the Group.

Financial Instruments
Classification
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); derivative instruments in designated hedge accounting relationships; 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Recognition and measurement
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

1 Accounting policies (continued)

Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the instrument have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:
• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the agreed credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial Liabilities

Financial liabilities are classified as either 'borrowings at amortised cost' or 'other financial liabilities'.

The borrowings accounting policy is provided in note 16. Other financial liabilities are initially measured at fair value, net of transaction costs.

1 Accounting policies (continued)

Derecognition of financial assets and liabilities
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability discharged and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments and hedge accounting
The Company uses interest rate swap contracts to hedge its exposure to changes in interest rates and exchange rates. These contracts are designated as cash flow hedges and hedge accounting is applied where the necessary criteria under IAS 39 Financial Instruments: Recognition and Measurement are met. Derivative financial instruments are not used for trading or speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Fair value is calculated as the present value of the estimated future cash flows at a rate that reflects the credit risk of various counterparties.

Changes in the fair value of derivative instruments that are designated and effective as hedges of highly probable future cash flows are recognised in equity. The cumulative gain or loss is transferred from equity and recognised in the income statement at the same time as the hedged transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement immediately.

Movements in the fair value of derivative instruments which do not qualify for hedge accounting are recognised in the income statement immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or no longer qualifies for hedge accounting. At that point, the cumulative gain or loss in equity remains in equity and is recognised in accordance with the above policy when the transaction affects profit or loss. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the income statement immediately.

2 Revenue

Mitchells & Butlers Retail Limited is a wholly owned subsidiary of Mitchells & Butlers Retail Holdings Limited with its operations falling under a single class of business and all residing within the UK. As such the Company reports only a single business segment. Disclosures under IFRS 8 Segmental Reporting are only provided at a Group level and are available in the Mitchells & Butlers plc Annual Report and Accounts 2016.

3 Operating costs

	Note	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Operating costs are analysed as follows:			
Raw materials and consumables recognised as an expense		424	442
Changes in inventories of finished goods and work in progress		-	1
Employee costs	5	424	404
Hire of plant & machinery		15	16
Operating lease expense - property		24	21
Other costs		360	382
Depreciation expense	10	88	88
Amortisation expense	9	1	-
Total operating costs		1,336	1,354

Fees paid to Deloitte LLPfor the audit of the Company's accounts were £0.15m (2015 £0.15m). The fee is borne on behalf of the Company by another Group company. Fees paid to Deloitte LLP and their associates for non-audit services are not disclosed for the Company since the Annual Report and Accounts 2016 of Mitchells & Butlers plc, the ultimate parent of Mitchells & Butlers Retail Limited discloses such fees on a consolidated basis.

4 Separately disclosed items

	Note	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Movement in the valuation of the property portfolio:			
- Impairment arising from the revaluation	10	20	28
- Impairment of short leasehold and unlicensed properties	10	1	2
Net movement in the valuation of the property portfolio		21	30
Total adjusted items		21	30

5 Employee costs

	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Wages and salaries	396	377
Social security costs	24	23
Pension costs, defined contribution scheme	3	3
Share-based payments*	1	1
	424	404

* Full disclosure of the share schemes in operation during the period, and their valuations, are provided in the Mitchells & Butlers plc Annual Report and Accounts 2016.

Average number of employees
The average number of persons employed by the Company during the period, including part time employees, was 32,213 (2015 32,106).

Directors' remuneration
The four Directors who served during the period were all employed by another Group company (Mitchells & Butlers Leisure Retail Limited) and are also Directors of other subsidiary companies of the Mitchells & Butlers plc Group. The Directors received total remuneration of £0.9m (2015 £0.9m) in respect of their services to the Group, but it is not practical to allocate this between each of the subsidiary companies for which they act as a Director. At the period end four (2015 four) of the Directors were members of the Group's defined contribution scheme, with two (2015 two) Directors also holding accrued service within the Group's defined benefit scheme.

The highest paid Director received emoluments of £0.3m (2015 £0.3m), with Company contributions to defined contribution pension schemes of £Nil (2015 £Nil).

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). These plans are funded, HMRC approved, occupational pension schemes with defined contribution and defined benefit sections.

From 1 January 2013 Mitchells & Butlers plc implemented a workplace pension plan in line with the Workplace Pensions Reform Regulations. This automatically enrols all eligible workers into a Qualifying Workplace Pension Plan.

5 Employee costs (continued)

Defined contribution scheme

The Company's profit and loss account charge in respect of its defined contribution arrangements is equal to the contributions payable for the period.

In the 52 weeks ended 24 September 2016, the Mitchells & Butlers plc Group paid £7m (2015 £7m) in respect of the defined contribution arrangements. The pension charge in respect of the defined contribution arrangements included in the profit and loss account of the Company for the 52 weeks ended 24 September 2016 was £3m (2015 £3m).

Defined benefit scheme

The defined benefit sections of the plans closed to new entrants during 2002 with new members provided with defined contribution arrangements. On 13 March 2011 the defined benefit plan was closed to future accrual. At the same time Mitchells & Butlers plc implemented a revised defined contribution benefit structure. The defined benefit liability relates to these funded plans, together with an unfunded unapproved pension arrangement (the Executive Top-Up Scheme, or MABETUS) in respect of certain MABEPP members. The assets of the plans are held in self-administered trust funds separate from the Company's assets.

Measurement of assets and liabilities
Mitchells & Butlers plc has accounted for pensions in accordance with IAS 19 Employee Benefits. The valuations used by Mitchells & Butlers plc for IAS 19 purposes are based on the results of the latest full actuarial valuation carried out at 31 March 2013 and updated by the schemes' qualified actuaries to 24 September 2016. Scheme assets are stated at market value at 24 September 2016 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. Full disclosure of assumptions and the valuation is provided in the Mitchells & Butlers plc Annual Report and Accounts 2016.

Minimum funding requirements
The results of the 2013 actuarial valuation show a funding deficit of £572m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 and on 21 May 2014 Mitchells & Butlers plc formally agreed a 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension scheme liabilities. As a result the Group agreed to increase additional contributions from £40m to £45m per annum for three years effective from 1 April 2013. From 1 April 2016 the contributions are increased by RPI (capped between 0% and 5%). As part of the recovery plan, the Group also made a further payment of £40m in September 2015 on terms agreed with the Trustees. An additional liability is recognised such that the overall pension liability at the period end reflects the schedule of contributions in relation to a minimum funding requirement. The Group IAS 19 deficit calculated on this basis is £337m (2015 £350m).

6 Finance revenue

	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Finance revenue intercompany	1	1

7 Finance costs

	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Intercompany interest on Term Advances	121	125
Liquidity facility fees reimbursed to Mitchells & Butlers Finance plc	4	4
Other finance costs external	-	1
	125	130

8 Taxation

Taxation - income statement	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Current taxation		
UK corporation tax	28	24
UK corporation tax adjustment to prior periods	19	(6)
Group relief received for nil payment	(1)	(4)
	46	14
Deferred taxation		
Arising from origination and reversal of temporary differences	(6)	(7)
Arising from changes in tax rates and laws	(10)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(3)	-
	(19)	(7)
Total tax expense recognised in the income statement	27	7

8 Taxation (continued)

The tax in the income statement for the period is higher than the standard rate of corporation tax in the UK of 20% (2015 lower than the standard rate of corporation tax in the UK of 20.5%).

The differences are reconciled below:

	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Profit before tax	127	118
Corporation tax at standard rate	25	24
Increase/(decrease) in current tax from adjustment for prior periods	19	(6)
Decrease/(increase) from effect of revenues exempt from taxation	(4)	(7)
Increase/(decrease) arising from group relief	(1)	(4)
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	(2)	-
Deferred tax expense/(credit) relating to changes in tax rates or laws	(10)	-
Total tax charge	27	7
Further analysed as tax relating to:		
Profit before tax and adjusted items	23	13
Adjusted items	4	(6)
	27	7

Factors which may affect future tax charges
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 balance at 24 September 2016.

8 Taxation (continued)

	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ 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	2	2
-Unrealised gains due to revaluations - retained earnings	2	3
- Rolled over and heldover gains - retained earnings	(9)	(3)
	(5)	2
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	(9)	(11)
Total tax credit recognised in other comprehensive income	(14)	(9)

9 Intangible assets

	Software costs £ m	Total £ m
Cost		
At 27 September 2015	2	2
Additions	1	1
At 24 September 2016	3	3
Amortisation		
At 27 September 2015	-	-
Amortisation charge	1	1
At 24 September 2016	1	1
Carrying amount		
At 24 September 2016	2	2
At 26 September 2015	2	2

10 Property, plant and equipment

	Land and buildings £ m	Fixtures, fittings & equipment £ m	Total £ m
Cost or valuation			
At 27 September 2015	3,277	821	4,098
Revaluation	173	-	173
Additions	39	73	112
Disposals*	(11)	(60)	(71)
At 24 September 2016	3,478	834	4,312
Depreciation			
At 27 September 2015	94	419	513
Provided in the period	15	73	88
Disposals*	(10)	(59)	(69)
At 24 September 2016	99	433	532
Carrying amount			
At 24 September 2016	3,379	401	3,780
At 26 September 2015	3,183	402	3,585

* Includes assets which are fully depreciated and have been removed from the fixed asset register.

10 Property, plant and equipment (continued)

Revaluation

A policy of valuing the majority of the Company's freehold and long leasehold licensed properties, for accounting purposes, was adopted on 27 September 2008.

Short leasehold properties (properties with an unexpired term of 50 years or less), unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment.

The Company's policy is to account for land held under both long and short leasehold contracts as operating leases, since it has no expectation that title will pass on expiry of the lease contracts.

The freehold and long leasehold licensed properties were valued at market value, as at 24 September 2016 by CBRE, independent chartered surveyors.The valuation was carried out in accordance with the provisions of RICS Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity. The market value has been determined having regard to factors such as current and future projected income levels, taking account of the location, the quality of the pub or restaurant and recent market transactions in the sector. Changes in these assumptions such as the valuation basis applied in comparable market transactions, or the income level generated by a pub could materially impact the valuation of the freehold and long leasehold land and buildings. It is estimated that a £10,000 change in the EBITDA of a freehold or long leasehold property would generate approximately an £90,000 movement in their valuation.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or income statement as appropriate. The impact of the revaluations/impairments described above is as follows:

	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Income statement		
Revaluation loss charged as an impairment	(82)	(66)
Reversal of past impairments	62	38
Total impairment arising from the revaluation	(20)	(28)
Impairment of short leasehold	(1)	(2)
	(21)	(30)
Revaluation reserve		
Unrealised revaluation surplus	293	117
Reversal of past revaluation surplus	(99)	(108)
	194	9
Net increase/(decrease) in property, plant and equipment	173	(21)

10 Property, plant and equipment (continued)

The valuation techniques are consistent with the principles in IFRS 13 and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

The key inputs to valuation on property, plant and equipment are as follows:

	EBITDA multiple range[a]			
24 September 2016	**Low**	**High**	**Number of pubs**	**Net book value[b]**
Freehold properties	7.5	12.0	1,088	3,083
Long leasehold properties	7.5	11.0	79	242
Total revalued properties	7.5	12.0	1,167	3,325
Short leasehold properties				97
Unallocated assets[c]				358
Total property, plant & equipment				3,780

	EBITDA multiple range[a]			
26 September 2015	**Low**	**High**	**Number of pubs**	**Net book value[b]**
Freehold properties	7.0	12.0	1,162	3,125
Long leasehold properties	7.0	10.0	82	242
Total revalued properties	7.0	12.0	1,244	3,367
Short leasehold properties				103
Unallocated assets[c]				115
Total property, plant & equipment				3,585

(a) In a small number of instances the value of property derived purely from an income approach misrepresents the underlying property value. In these cases a spot value has been applied to the property rather than a value derived from a multiple applied to the EBITDA.

(b) The carrying value of freehold and long leasehold properties based on their historical cost is £2,291m and £172m respectively (2015 £2,108m and £182m).

(c) Unallocated assets primarily includes unlicensed properties and freehold properties excluded from revaluation as a result of investment plans.

Year on year movements in valuation multiples are the result of changes in property market conditions.

10 Property, plant and equipment (continued)

Assets in the course of construction

Cost at 24 September 2016 includes £5m (2015 £2m) of assets in the course of construction.

11 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £12m (2015 £11m).

12 Investments in subsidiaries

Subsidiaries	£ m
Cost	
At 27 September 2015	32
At 24 September 2016	32
Provision	
At 27 September 2015	11
At 24 September 2016	11
Carrying amount	
At 24 September 2016	21
At 26 September 2015	21

12 Investments in subsidiaries (continued)

Details of the subsidiaries as at 24 September 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2016	2015
Browns Restaurants Limited*	Dormant	United Kingdom	100%	100%
Old Kentucky Restaurants Limited*	Trademark owner	United Kingdom	100%	100%
Browns Restaurant (Brighton) Limited	Dormant	United Kingdom	100%	100%
Browns Restaurant (Bristol) Limited	Dormant	United Kingdom	100%	100%
Browns Restaurant (Cambridge) Limited	Dormant	United Kingdom	100%	100%
Browns Restaurant (London) Limited	Dormant	United Kingdom	100%	100%
Browns Restaurant (Oxford) Limited	Dormant	United Kingdom	100%	100%

* indicates direct investment of the Company

All of the above companies are registered at 27 Fleet Street, Birmingham, B3 1JP.

13 Inventories

	24 September 2016 £ m	26 September 2015 £ m
Finished goods and goods for resale	18	18

14 Trade and other receivables

	24 September 2016 £ m	26 September 2015 £ m
Trade receivables	2	1
Amounts owed by group undertakings*	1,646	1,655
Prepayments	4	3
Other receivables	-	1
Corporation tax	-	6
	1,652	1,666

* Includes an amount of £1,362m (2015 £1,362m) owed by Mitchells and Butlers Retail Holdings Limited and £282m (2015 £282m) owed by Mitchells & Butlers plc. These amounts are non-interest bearing loans.

15 Trade and other payables

	24 September 2016 £ m	26 September 2015 £ m
Accrued expenses	45	53
Social security and other taxes	46	50
Other payables	16	23
Amounts owed to group undertakings	117	102
	224	228

16 Borrowings

	24 September 2016 £ m	26 September 2015 £ m
Maturity profile		
Amounts falling due within one year	75	66
Amounts falling due after more than one year	1,865	1,940
Total borrowings	1,940	2,006

16 Borrowings (continued)

Maturity profile

	24 September 2016 £ m	26 September 2015 £ m
Due within one year	75	66
Due between one and two years	82	75
Due between two and five years	285	263
Due after five years	1,498	1,602
Total borrowings	1,940	2,006

Term advances from 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.

On 15 September 2006, the Company borrowed a further £655m from Mitchells & Butlers Finance plc on substantially the same terms as the original Term Advances. At the same time, the original A1 and A3 Term Advances were repaid and reissued as A1N and A3N Term Advances.

At 24 September 2016 the Term Advances consisted of ten tranches as follows:

Tranche	Initial principal borrowed £ m	Interest	Principal repayment period (all by instalments)	Effective interest rate* %	Principal outstanding at 24 September 2016 £m	Principal outstanding at 26 September 2015 £m	Expected weighted average life** (years)
A1N	200	Floating	2011 to 2028	6.22	152	161	7 years
A2	550	Fixed-5.58%	2003 to 2028	6.02	276	292	7 years
A3N	250	Floating	2011 to 2028	6.30	189	201	7 years
A4	170	Floating	2016 to 2028	5.98	168	170	7 years
AB	325	Floating	2020 to 2032	5.75	325	325	12 years
B1	350	Fixed-5.98%	2003 to 2023	6.13	135	151	4 years
B2	350	Fixed-6.02%	2015 to 2028	6.13	339	350	8 years
C1	200	Fixed-6.48%	2029 to 2030	6.57	200	200	13 years
C2	50	Floating	2033 to 2034	6.48	50	50	17 years
D1	110	Floating	2034 to 2036	6.69	110	110	19 years
	2,555				1,944	2,010	

* Effective interest on floating rate notes is stated after the effect of interest rate swaps.
** The expected remaining weighted average life is based on the Term Advances being held to maturity.

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 rates payable.

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%

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

	24 September 2016 £ m	26 September 2015 £ m
Principal outstanding at start of period	2,010	2,071
Principal repaid during the period	(66)	(61)
	1,944	2,010
Deferred issue costs	(7)	(8)
Accrued interest	3	4
Carrying value at the end of the period	1,940	2,006

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 24 September 2016, the Company had cash and cash equivalents of £103m (2015 £108m) which were governed by the covenants associated with the securitisation. Of these amounts £36m (2015 £36m), 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.

17 Hedging instruments

Financial risk management and impairment of financial assets

Financial risk is managed by the Group's Treasury function. The Group's Treasury function is governed by a Board Approved Treasury Policy Statement which details the key objectives and policies for the Group's treasury management. The Treasury Committee ensures that the Treasury Policy is adhered to, monitors its operation and agrees appropriate strategies for recommendation to the Board. The Treasury Policy Statement is reviewed annually, with recommendations for change made to the Board, as appropriate. The Group Treasury function is operated as a cost centre and is the only area of the business permitted to transact treasury deals. It must also be consulted on other related matters such as the provision of guarantees or the financial implications of contract terms.

The main financial risks which impact the Group result from funding and liquidity risk, credit risk, capital risk and market risk, principally as a result of changes in interest and currency rates. Derivative financial instruments, principally interest rate and foreign currency swaps, are used to manage market risk. Derivative financial instruments are not used for trading or speculative purposes.

Credit risk and impairment

The Company is exposed to risk against counterparties to its financial assets from its derivative financial instruments which are used for risk management purposes and the investment of surplus funds. To mitigate this exposure, the Group Treasury function operates policies that restrict the investment of surplus funds and the entering into of derivative transactions to counterparties that have an appropriate credit rating. Counterparties may also be required to post collateral with the Group where their credit rating falls below a predetermined level. The amount that can be invested or transacted at various ratings levels is restricted under the policy. To minimise credit risk exposure against individual counterparties, investments and derivative transactions are entered into with a range of counterparties. The Group Treasury function reviews credit ratings, as published by Moody's, Standard & Poor's and Fitch Ratings, current exposure levels and the maximum permitted exposure at given credit ratings, for each counterparty on a daily basis. Any exceptions are required to be formally reported to the Mitchells & Butlers Treasury Committee on a four weekly basis.

The Company's credit exposure as at 24 September 2016 was:

	24 September 2016 £ m	26 September 2015 £ m
Cash and cash equivalents	103	108
Trade receivables	2	1
Other receivables	-	1
Amounts owed by group undertakings	1,646	1,655

Market risk

The Company is exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate because of changes in market prices. Market risk includes two types of risk: interest rate risk and currency risk.

17 Hedging instruments (continued)

Financial risk management and impairment of financial assets (continued)

Interest rate risk

The Company has a mixture of fixed and floating interest rate debt instruments and manages the variability in cash flows resulting from changes in interest rates by using derivative financial instruments. The Company minimises the volatility in its financial statements through the adoption of the hedge accounting provisions permitted under IAS 39: Financial instruments: Recognition and Measurement. The interest rate exposure resulting from the Company's Term Advances from Mitchells & Butlers Finance plc is fixed, either as a result of the notes themselves being issued at fixed interest rates, or through a combination of floating rate notes against which 100% effective interest rate swaps are held, which are eligible for hedge accounting.

Foreign exchange risk

The Company has no significant profit and loss exposure as a result of retranslating monetary assets and liabilities at different exchange rates. As the Company has no material exposure to movements in interest or exchange rates, no sensitivity analysis has been disclosed.

Maturity of cash flows

The maturity table below details the contractual undiscounted cash flows (both principal and interest) for the Company's financial liabilities, after taking into account the effect of interest rate swaps.

	Within 1 year	1 to 2 years £ m	2 to 3 years £ m	3 to 4 years	4 to 5 years	More than 5 years	Total
24 September 2016							
Term Advances	(194)	(194)	(193)	(197)	(199)	(2,078)	(3,055)
26 September 2015							
Term Advances	(188)	(194)	(194)	(193)	(197)	(2,278)	(3,244)

Cash flow hedges

The Company holds six interest rate swaps with Mitchells & Butlers Finance plc. These are designated as a hedge of the cash flow and principal interest rate risk of the Company's floating rate Term Advances, comprising the A1N, A3N, A4, AB, C2 and D1 Term Loans. The cash flows occur quarterly, receiving a fixed rate of interest and paying a floating rate interest based on LIBOR. The contract maturity dates match those of the hedged item.

The six interest rate swaps held with Mitchells & Butlers Finance plc have a nominal value of £994m (2015 £1,017m). These are designated as a hedge of the cash flow and principal interest rate risk of £994m (2015 £1,017m) of the Company's floating rate Term Advances, comprising the A1N, A3N, A4, AB, C2 and D1 Term Loans. The cash flows occur quarterly, receiving a fixed rate of interest of 4.8785% (2015 4.8855%) and paying a floating rate of interest based on LIBOR. The contract maturity dates match those of the hedged item.

Changes in the fair value of cash flow hedges are recognised directly in the hedging reserve in equity to the extent that the hedges are effective. The cash flow hedges have been assessed as being highly effective during the financial period and are expected to remain highly effective over the remaining contract lives. The following amounts have been recognised during the period:

17 Hedging instruments (continued)

	24 September 2016 £ m	26 September 2015 £ m
Losses arising during period	(150)	(100)
Reclassification adjustments for losses included in profit or loss	43	45
Net movement in cash flow hedges recognised in equity	(107)	(55)

The fair value and carrying value of financial assets and liabilities by category is as follows:

	24 September 2016		26 September 2015	
	Net book value £ m	Fair value £ m	Net book value £ m	Fair value £ m
Cash	103	103	108	108
Borrowings	(1,940)	(1,940)	(2,006)	(2,006)
Intercompany interest rate swaps	(402)	(402)	(295)	(295)

The fair value of the interest rate swaps is the estimated amount the Company could expect to pay or receive on termination of the agreement. These amounts are based on the valuations of the corresponding external swaps in the Group which are based on the quotations from counterparties and take into consideration interest rates prevailing at the balance sheet date. Other financial assets and liabilities are either short term in nature or their book values approximate to fair values.

Derivative financial instruments

IFRS 13 Financial Instruments requires the Company's derivative financial instruments to be disclosed at fair value and categorised in three levels according to the inputs used in the calculation of their fair value:
- Level 1 instruments use quoted prices as the input to fair value calculations;
- Level 2 instruments use inputs, other than quoted prices, that are observable either directly or indirectly;
- Level 3 instruments use inputs that are unobservable.

	Total assets		Total liabilities	
24 September 2016	Less than one year £ m	More than one year £ m	Less than one year £ m	More than one year £ m
Intercompany interest rate swaps	-	-	(44)	(358)

	Total assets		Total liabilities	
26 September 2015	Less than one year £ m	More than one year £ m	Less than one year £ m	More than one year £ m
Intercompany interest rate swaps	-	-	(43)	(252)

17 Hedging instruments (continued)

The cash flow hedges are all classified as Level 2 being fair value measurements derived from inputs other than quoted prices that are observable for assets or liabilities.

18 Lease commitments

Operating leases

The total future minimum lease rental payments under non-cancellable operating leases are as follows:

	24 September 2016 £ m	26 September 2015 £ m
Within one year	21	20
In two to five years	77	74
In over five years	183	181
	281	275

19 Deferred tax

The deferred tax assets and liabilities recognised in the balance sheet are as follows:

24 September 2016	Asset £ m	Liability £ m	Net deferred tax £ m
Accelerated tax depreciation	-	(37)	(37)
Derivatives	68	-	68
Revaluation of property	-	(153)	(153)
Rolled over and held over gains	-	(96)	(96)
	68	(286)	(218)

26 September 2015	Asset £ m	Liability £ m	Net deferred tax £ m
Accelerated tax depreciation	-	(45)	(45)
Derivatives	59	-	59
Revaluation of property	-	(149)	(149)
Rolled over and held over gains	-	(116)	(116)
	59	(310)	(251)

19 Deferred tax (continued)

Deferred tax in the income statement	52 weeks ended 24 September 2016 £ m	52 weeks ended 26 September 2015 £ m
Accelerated tax depreciation	(8)	-
Revaluation of property	1	(6)
Rolled over and held over gains	(11)	(1)
Total deferred tax charge in the income statement	(18)	(7)

20 Provisions

	Property leases £ m	Total £ m
At 27 September 2015	4	4
Additional provisions	1	1
Release of provisions	(1)	(1)
Provisions used	(1)	(1)
At 24 September 2016	3	3

Onerous property provisions represent the expected unavoidable losses on onerous and vacant property leases and comprise the lower of the net rent payable or the operating loss after rental costs. The provision is calculated on a site by site basis, with an estimated period of future losses of up to five years. Other contractual dilapidations costs are also recorded as provisions as appropriate.

21 Share capital

Allotted, called up and fully paid shares

	24 September 2016		26 September 2015	
	No.	£	No.	£
Ordinary shares of £1 each	3,882,000	3,882,000	3,882,000	3,882,000
Ordinary shares of £0.0001 (2015 - £0) each	214,000,000	21,400	-	-
	217,882,000	3,903,400	3,882,000	3,882,000

New shares issued and share capital reduction

During the period a bonus issue of 214,000,000 Ordinary shares of £1 each was made to Mitchells & Butlers Retail Holdings Limited for an aggregate consideration of £214m fully paid up by the Company's revaluation reserve. This resulted in an increase in share capital of £214m and a reduction in the revaluation reserve of £214m.

Following this, a share capital reduction was undertaken to reduce the nominal value of the 214,000,000 bonus shares to £0.0001 each, reducing the aggregate nominal value to £21,400. In addition, as part of this capital reduction, the Company's share premium account of £1,561m has been cancelled, reducing the share premium account to £nil.

22 Dividends

During the period, the Company has paid dividends of £40m (2015 £35m). Dividend payments are made by the Company to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited.

The Directors are proposing a final dividend of £Nil (2015 £Nil).

23 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 plc 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 plc Group granted full fixed and floating security over their respective assets and cash flows.

24 Ultimate parent undertaking

The Company's immediate parent is Mitchells & Butlers Retail Holdings Limited.

The Company's ultimate parent and controlling party is Mitchells & Butlers plc.

Relationship between entity and parents

The parent of the largest and smallest group in which these financial statements are consolidated is Mitchells & Butlers plc, incorporated in the United Kingdom.

The consolidated financial statements of Mitchells & Butlers plc are available from the Company Secretary, 27 Fleet Street, Birmingham, B3 1JP

All undertakings, including the Company, are companies incorporated in the United Kingdom and registered in England and Wales.

25 Transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies have been applied consistently in preparing the financial statements for the 52 weeks ended 24 September 2016, the comparative information presented for the 52 weeks ended 26 September 2015 and in the preparation of an opening FRS 101 balance sheet at 28 September 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and accompanying notes.

25 Transition to FRS 101 (continued)

Reconciliation of equity

	27 September 2014 £ m	26 September 2015 £ m
Equity reported under previous UK GAAP	3,037	3,116
Adjustments to equity on transition to FRS 101:		
Recognition of intercompany interest rate swaps	(240)	(295)
Recognition of deferred tax on interest rate swaps	48	59
Recognition of deferred tax on revaluations	(267)	(263)
Equity reported under FRS 101	2,578	2,617

Reconciliation of total comprehensive income

	52 weeks ended 26 September 2015 £ m
Total comprehensive income for the financial period under previous UK GAAP	114
Adjustments on transition to FRS 101	
Income statement:	
Recognition of deferred tax on revaluations	6
Other comprehensive income:	
Recognition of intercompany interest rate swaps	(55)
Recognition of deferred tax on interest rate swaps	11
Recognition of deferred tax on revaluations	(2)
Total comprehensive income for the financial period under FRS 101	74

25 Transition to FRS 101 (continued)

Balance sheet impact
The 2015 balance sheet has been restated to reflect the following:

a) recognition of intercompany derivative contracts has resulted in the recognition of derivative financial liabilities of £295m at 26 September 2015;

b) recognition of deferred tax balances in relation to intercompany interest rate swaps has resulted in the recognition of a deferred tax asset of £59m at 26 September 2015;

c) recognition of deferred tax balances in relation to property valuations, unrealised gains and rolled over gains has resulted in the recognition of an additional deferred tax liability of £263m at 26 September 2015; and

c) restatement of computer software to intangible assets from property, plant and equipment. The impact of this is an increase in intangible assets, and corresponding decrease in property, plant and equipment of £2m at 26 September 2015.

d) restatement of lease premiums from property, plant and equipment. The impact of this is an increase in lease premiums and a corresponding decrease in property, plant and equipment of £1m at 26 September 2015.