

Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 12 April 2014

Registered Number: 24542

Mitchells & Butlers Retail Limited

PROFIT AND LOSS ACCOUNT For the 28 weeks ended 12 April 2014

		<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>28 weeks ended 13 April 2013 Unaudited £m</i>	<i>52 weeks ended 28 September 2013 Audited £m</i>
	<i>Notes</i>			
TURNOVER		855	846	1,611
Operating costs*		<u>(726)</u>	<u>(718)</u>	<u>(1,363)</u>
OPERATING PROFIT	2	129	128	248
Interest payable and similar charges	3	(71)	(70)	(130)
Interest receivable and similar income		<u>-</u>	<u>-</u>	<u>1</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58	58	119
Tax on profit on ordinary activities	4	<u>(11)</u>	<u>(4)</u>	<u>(12)</u>
PROFIT FOR THE PERIOD		<u>47</u>	<u>54</u>	<u>107</u>

The Company has no recognised gains and losses other than the profit shown above and therefore no separate statement of total recognised gains and losses has been presented.

All turnover and costs are derived from continuing operations.

* 52 weeks ended 28 September 2013 includes an exceptional impairment charge in respect of tangible fixed assets of £24m.

Mitchells & Butlers Retail Limited

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the 28 weeks ended 12 April 2014

	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>28 weeks ended 13 April 2013 Unaudited £m</i>	<i>52 weeks ended 28 September 2013 Audited £m</i>
<i>Notes</i>			
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	47	54	107
Unrealised gain on revaluation of the property portfolio	-	-	60
Dividends	5 <u>(49)</u>	<u>(36)</u>	<u>(61)</u>
NET (DECREASE)/ INCREASE IN SHAREHOLDERS' FUNDS	<u>(2)</u>	<u>18</u>	<u>106</u>
Opening shareholders' funds	<u>2,978</u>	<u>2,872</u>	<u>2,872</u>
CLOSING SHAREHOLDERS' FUNDS	<u>2,976</u>	<u>2,890</u>	<u>2,978</u>

BALANCE SHEET

At 12 April 2014

		<i>12 April 2014 Unaudited</i>	<i>13 April 2013 Unaudited</i>	<i>28 September 2013 Audited</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
FIXED ASSETS				
Tangible assets		3,569	3,534	3,571
Investments		21	21	21
		<u>3,590</u>	<u>3,555</u>	<u>3,592</u>
CURRENT ASSETS				
Stocks		19	18	18
Debtors: amounts falling due within one year	6	1,661	1,660	1,667
Cash at bank and in hand		97	130	99
		<u>1,777</u>	<u>1,808</u>	<u>1,784</u>
CREDITORS: amounts falling due within one year	7	<u>(295)</u>	<u>(295)</u>	<u>(264)</u>
NET CURRENT ASSETS		<u>1,482</u>	<u>1,513</u>	<u>1,520</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,072</u>	<u>5,068</u>	<u>5,112</u>
CREDITORS: amounts falling due after more than one year	8	<u>(2,042)</u>	<u>(2,112)</u>	<u>(2,079)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>(54)</u>	<u>(66)</u>	<u>(55)</u>
NET ASSETS		<u><u>2,976</u></u>	<u><u>2,890</u></u>	<u><u>2,978</u></u>
CAPITAL AND RESERVES				
Share capital		4	4	4
Share premium account		1,561	1,561	1,561
Revaluation reserve		1,186	1,126	1,186
Profit and loss account		225	199	227
SHAREHOLDERS' FUNDS		<u><u>2,976</u></u>	<u><u>2,890</u></u>	<u><u>2,978</u></u>

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

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').

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 an Issuer/Borrower Facility Agreement dated 13 November 2003 (the "Agreement"). On 15 September 2006, Mitchells & Butlers Finance plc issued an incremental £655m of secured loan notes to third party investors, in addition to refinancing £450m of Floating Rate Notes and on-lent the proceeds to the Company under the Agreement as amended and restated. Further details of the amounts advanced under this Agreement are contained in note 9 to the financial statements.

These semi-annual financial statements have been prepared in order to meet the financial reporting requirements included in the Agreement. A reconciliation of information contained in these financial statements to a separately issued Interim Investor Report is attached as a supplementary schedule to these accounts.

The semi-annual financial statements, which are unaudited, continue to comply with relevant accounting standards under UK GAAP and should be read in conjunction with the Company's audited financial statements for the 52 weeks ended 28 September 2013. They have been prepared on a consistent basis using the accounting policies set out in those financial statements.

The semi-annual financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The financial information for the 52 weeks ended 28 September 2013 has been extracted from the Company's published financial statements for that year, which contain an unqualified audit report and which have been filed with the Registrar of Companies 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 12 April 2014 and 13 April 2013 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.

2. OPERATING PROFIT

	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>28 weeks ended 13 April 2013 Unaudited £m</i>	<i>52 weeks ended 28 September 2013 Audited £m</i>
EBITDA	181	178	365
Depreciation	(52)	(50)	(93)
Movement in the valuation of the property portfolio*	-	-	(24)
Operating Profit	<u>129</u>	<u>128</u>	<u>248</u>

* 52 weeks ended 28 September 2013 includes a movement of £24m in the valuation of the property portfolio, comprising £7m of impairment recognised on short leasehold and unlicensed properties where their carrying values exceed their recoverable amount and a £17m charge arising from the Company's annual revaluation of its pub estate.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>28 weeks ended 13 April 2013 Unaudited £m</i>	<i>52 weeks ended 28 September 2013 Audited £m</i>
Interest payable to Mitchells & Butlers Finance plc	71	70	130
	<u>71</u>	<u>70</u>	<u>130</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>28 weeks ended 13 April 2013 Unaudited £m</i>	<i>52 weeks ended 28 September 2013 Audited £m</i>
UK corporation tax	13	14	32
Prior year adjustment to current tax	-	(12)	(11)
Deferred tax	(2)	2	(2)
Deferred tax rate change	-	-	(7)
	<u>11</u>	<u>4</u>	<u>12</u>
Further analysed as tax relating to:			
Operating profit before exceptional items	11	4	24
Exceptional items – current and deferred tax	-	-	(12)
	<u>11</u>	<u>4</u>	<u>12</u>

The Finance Act 2013 reduced the main rate of corporation tax from 23% to 20% from 1 April 2015. The effect of this change was reflected in the closing deferred tax balance at 28 September 2013.

5. DIVIDENDS

During the period, the Company has paid dividends of £37m (2013 28 weeks £25m, 52 weeks £61m) and declared dividends of £12m which remain unpaid at 12 April 2014 (13 April 2013 £11m, 28 September 2013 £nil). Dividend payments are made by the Company to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited, as permitted by the terms of the securitisation.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>12 April 2014 Unaudited £m</i>	<i>13 April 2013 Unaudited £m</i>	<i>28 September 2013 Audited £m</i>
Loan to Mitchells & Butlers Retail Holdings Limited	1,362	1,362	1,362
Loan to Mitchells & Butlers plc	282	282	282
Amounts due from fellow subsidiary undertakings	3	2	2
Prepayments / Other debtors	14	14	21
	<u>1,661</u>	<u>1,660</u>	<u>1,667</u>

The loans to Mitchells & Butlers Retail Holdings Limited and Mitchells & Butlers plc are non-interest bearing.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>12 April 2014 Unaudited £m</i>	<i>13 April 2013 Unaudited £m</i>	<i>28 September 2013 Audited £m</i>
Term advances with Mitchells & Butlers Finance plc (note 9)	59	56	57
Amounts owed to fellow subsidiary undertakings	118	128	116
UK corporation tax payable	-	-	2
Other taxation and social security	55	51	38
Other creditors and accruals	63	60	51
	<u>295</u>	<u>295</u>	<u>264</u>

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

	<i>12 April 2014 Unaudited £m</i>	<i>13 April 2013 Unaudited £m</i>	<i>28 September 2013 Audited £m</i>
Term advances with Mitchells & Butlers Finance plc (note 9)	2,042	2,100	2,067
Other creditors*	-	12	12
	<u>2,042</u>	<u>2,112</u>	<u>2,079</u>

* Other creditors comprise an amount held in respect of the Group's gaming machine VAT claim. A decision was released during 2010 in respect of Rank plc's gaming claim and this ruling fell in the taxpayer's favour. As a result, the Group was able to further pursue its own gaming claim which was submitted in April 2006. HMRC agreed to make a repayment of the existing claim, subject to the Group providing a guarantee to HMRC that, in the event that the existing decision is overturned in a higher court, the amount will be repayable in full. The Rank case was appealed by HMRC to the European Court of Justice (ECJ) in 2011 however, no final decision was reached on gaming and the case was referred back to the UK Upper Tribunal. The case is progressing through the UK courts and on the 30 October 2013 the Court of Appeals found in favour of HMRC. Rank have been granted leave to appeal to the Supreme Court with a hearing likely to be later this year. As HMRC were successful at the Court of Appeals this amount is now repayable with interest.

Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

9. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC

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

- Class A1N floating rate Term Advance for £200m due 2030
- Class A2 5.584% Term Advance for £550m due 2030
- Class A3N floating rate Term Advance for £250m due 2030
- Class B1 5.975% Term Advance for £350m due 2025
- Class B2 6.023% Term Advance for £350m due 2030
- Class C1 6.479% Term Advance for £200m due 2032

On 15 September 2006, the Company borrowed a further £655m from Mitchells & Butlers Finance plc in the following four tranches. As part of the transaction, the original A1 and A3 Term Advances were repaid and reissued as A1N and A3N Term Advances to take advantage of market rates.

- Class A4 floating rate Term Advance for £170m due 2030
- Class AB floating rate Term Advance for £325m due 2033
- Class C2 floating rate Term Advance for £50m due 2034
- Class D1 floating rate Term Advance for £110m due 2036

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 at 12 April 2014 is analysed as follows:

	£m
Principal outstanding at 28 September 2013	2,129
Principal repaid during the period	(28)
	<hr/>
Principal outstanding at 12 April 2014	2,101
Deferred issue costs	(9)
Accrued interest	9
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Carrying value at 12 April 2014	2,101
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Maturity profile:	
Amounts falling due within one year	59
Amounts falling due after more than one year	2,042
	<hr/>
	2,101
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Mitchells & Butlers Retail Limited

NOTES TO THE SEMI-ANNUAL FINANCIAL STATEMENTS

9. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC (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 12 April 2014, the Company had cash and cash equivalents of £97m (13 April 2013 £130m, 28 September 2013 £99m), which were governed by the covenants associated with the securitisation. Of this amount £46m (13 April 2013 £43m, 28 September 2013 £43m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions (restricted cash). 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.

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

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

10. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>12 April 2014 Unaudited £m</i>	<i>13 April 2013 Unaudited £m</i>	<i>28 September 2013 Audited £m</i>
Deferred tax	48	60	50
Property provisions	6	6	5
	<u>54</u>	<u>66</u>	<u>55</u>

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 an Issuer/Borrower Facility Agreement dated 13 November 2003, as amended and restated on 15 September 2006.

On 13 November 2003, the Company and certain other members of the Mitchells & Butlers group granted full fixed and floating security over their respective assets and undertakings.

The Company has entered into swap arrangements with Mitchells & Butlers Finance plc which convert underlying borrowings with an effective principal, after amortisation, of £1,047m (13 April 2013 £1,065m, 28 September 2013 £1,056m) from floating rate interest payable to fixed rate interest payable. At the period end these had a fair value of £225m (13 April 2013 £321m, 28 September 2013 £227m).

Mitchells & Butlers Retail Limited

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 12 APRIL 2014

	<i>Q1 Investor Report £m</i>	<i>Q2 Investor Report £m</i>	<i>Q1 + Q2 Interim Investor Report £m</i>	<i>Semi-Annual Financial Statements £m</i>
Turnover	491.4	363.1	854.5	855
Operating expenses	<u>(416.0)</u>	<u>(309.4)</u>	<u>(725.4)</u>	<u>(726)</u>
Operating profit	75.4	53.7	129.1	129
Depreciation	<u>29.4</u>	<u>22.1</u>	<u>51.5</u>	<u>52</u>
EBITDA	<u>104.8</u>	<u>75.8</u>	<u>180.6</u>	<u>181</u>