Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 10 April 2021

Registration Number: 24542

Mitchells & Butlers Retail Limited
Income statement for the 28 weeks ended 10 April 2021

	Notes	28 weeks ended 10 April 2021 £m	28 weeks ended 11 April 2020 £m	52 weeks ended 26 September 2020 £m
Revenue		**161**	**776**	1,092
Other income	2	**129**	**-**	119
Operating costs		**(363)**	**(673)**	(1,104)
Separately disclosed items	3	**(4)**	**(133)**	(66)
OPERATING (LOSS)/PROFIT		**(77)**	**(30)**	41
Finance costs	4	**(58)**	**(61)**	(113)
LOSS BEFORE TAXATION		**(135)**	**(91)**	(72)
Tax credit	5	**27**	**10**	8
LOSS FOR THE PERIOD		**(108)**	**(81)**	(64)

The above results are derived from continuing operations.

Mitchells & Butlers Retail Limited

Statement of comprehensive income/(expense)
for the 28 weeks ended 10 April 2021

	Notes	28 weeks ended 10 April 2021 £m	28 weeks ended 11 April 2020 £m	52 weeks ended 26 September 2020 £m
LOSS FOR THE PERIOD		**(108)**	(81)	(64)
Items that will not be reclassified subsequently to profit or loss:				
Unrealised loss on revaluation of the property portfolio		**-**	(345)	(134)
Tax relating to items not reclassified	5	**-**	32	(5)
		-	(313)	(139)
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges:				
-Gains/(losses) arising during the period		**49**	(10)	(36)
-Reclassification adjustments for items included in profit or loss		**20**	18	38
Tax (charge)/credit relating to items that may be reclassified	5	**(13)**	4	6
		56	12	8
OTHER COMPREHENSIVE INCOME/(EXPENSE) AFTER TAX		**56**	(301)	(131)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(52)**	(382)	(195)

Mitchells & Butlers Retail Limited

(Registration number: 24542)

Balance sheet as at 10 April 2021

	Notes	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
NON-CURRENT ASSETS				
Property, plant and equipment	7	**3,650**	3,439	3,685
Right of use assets	12	**141**	140	127
Investments in subsidiaries		**21**	21	21
Trade and other receivables	8	**1,639**	1,639	1,639
Finance lease receivable		**3**	5	4
Deferred tax asset		**17**	21	25
TOTAL NON-CURRENT ASSETS		**5,471**	5,265	5,501
CURRENT ASSETS				
Inventories		**10**	15	17
Trade and other receivables	8	**41**	40	19
Finance lease receivables		**1**	1	1
Current tax receivable		**-**	4	1
Cash and cash equivalents		**36**	47	63
TOTAL CURRENT ASSETS		**88**	107	101
TOTAL ASSETS		**5,559**	5,372	5,602
CURRENT LIABILITIES				
Trade and other payables	9	**(238)**	(266)	(250)
Current tax liabilities		**(1)**	-	-
Borrowings	10	**(172)**	(101)	(119)
Lease liabilities	12	**(28)**	(22)	(24)
Derivative financial instruments	11	**(39)**	(37)	(40)
TOTAL CURRENT LIABILITIES		**(478)**	(426)	(433)
NET CURRENT LIABILITIES		**(390)**	(319)	(332)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,081**	4,946	5,169
NON-CURRENT LIABILITIES				
Borrowings	10	**(1,448)**	(1,555)	(1,498)
Lease liabilities	12	**(155)**	(150)	(146)
Derivative financial instruments	11	**(190)**	(255)	(259)
Deferred tax liabilities		**(228)**	(204)	(250)
Provisions		**(3)**	(1)	(2)
TOTAL NON-CURRENT LIABILITIES		**(2,024)**	(2,165)	(2,155)
TOTAL LIABILITIES		**(2,502)**	(2,587)	(2,588)
NET ASSETS		**3,057**	2,781	3,014
EQUITY				
Share capital	13	**146**	4	51
Hedging reserve		**(186)**	(238)	(242)
Revaluation reserve		**979**	809	979
Profit and loss account		**2,118**	2,206	2,226
TOTAL EQUITY		**3,057**	2,781	3,014

Mitchells & Butlers Retail Limited

Statement of Changes in Equity for the 28 weeks ended 10 April 2021

	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 29 September 2019	4	1,115	(250)	2,304	3,173
Loss for the period	-	-	-	(81)	(81)
Other comprehensive (expense)/income	-	(306)	12	(7)	(301)
Total comprehensive (expense)/income	-	(306)	12	(88)	(382)
Dividends	-	-	-	(10)	(10)
At 11 April 2020	4	809	(238)	2,206	2,781
Profit for the period	-	-	-	17	17
Other comprehensive income/(expense)	-	170	(4)	4	170
Total comprehensive income/(expense)	-	170	(4)	21	187
Share capital issued	47	-	-	-	47
Tax on share-based payments	-	-	-	(1)	(1)
At 26 September 2020	51	979	(242)	2,226	3,014
Loss for the period	-	-	-	(108)	(108)
Other comprehensive income	-	-	56	-	56
Total comprehensive income/(expense)	-	-	56	(108)	(52)
Share capital issued	95	-	-	-	95
At 10 April 2021	146	979	(186)	2,118	3,057

1. BASIS OF PREPARATION

Mitchells & Butlers Retail Limited ('the Company') is a subsidiary company of Mitchells & Butlers plc. Mitchells & Butlers plc, along with its subsidiaries, form the Mitchells & Butlers group of companies ('the Group').

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

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

The financial information for the 52 weeks ended 26 September 2020 has been extracted from the Company's published financial statements for that period, which have been filed with the Registrar of Companies. The auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

The periods ended 10 April 2021 and 11 April 2020 are regarded as distinct financial periods for accounting purposes. Income and costs are recognised in the profit and loss account as they arise and tax is calculated on the basis of the expected effective tax rate for the full year.

These semi-annual financial statements have been prepared in order to meet the financial reporting requirements included in the Issuer/Borrower Facility Agreement dated 13 November 2003, as amended and restated on 15 September 2006 (the "Agreement"). A reconciliation of information contained in these financial statements to a separately issued Interim Investor Report is attached as a supplementary schedule to these accounts.

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

Accounting policies

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts 2020.

2. OPERATING (LOSS)/PROFIT

	28 weeks ended 10 April 2021 £m	**28 weeks ended 11 April 2020 £m**	**52 weeks ended 26 September 2020 £m**
EBITDA	**(24)**	159	207
Depreciation and amortisation	**(49)**	(56)	(100)
Separately disclosed items	**(4)**	(133)	(66)
Operating (loss)/profit	**(77)**	(30)	41

Government grants

Coronavirus Job Retention Scheme (CJRS)
Under this scheme, HMRC reimburses up to 80% of the wages of certain employees who have been furloughed. The scheme is designed to compensate for staff costs, so amounts received are recognised in the income statement over the same period as the costs to which they relate. In the income statement, operating costs are shown net of grant income received. The scheme commenced on 20 March 2020 and will continue until 30 September 2021.

Business rates
Businesses in the retail, hospitality and leisure sectors in England were granted 100% business rates relief for the 2020/2021 rates year, covering the period from 1 April 2020 to 31 March 2021. An additional 3 months of 100% business rates relief has been granted to cover 1 April 2021 to 30 June 2021.

2. OPERATING (LOSS)/PROFIT (CONTINUED)

Government grants (continued)

Eat Out to Help Out
During August 2020, HMRC offered a 50% discount off food and non-alcoholic drinks, capped to £10 per person, when dining out between Monday and Wednesday. The Group participated in this scheme. In the income statement, food and drink revenue includes amounts received from HMRC in respect of the scheme.

The impact of grants received on the income statement is as follows:

Government grant scheme	**Income statement line impact**	**28 weeks ended 10 April 2021 £m**	**28 weeks ended 11 April 2020** £m	**52 weeks ended 26 September 2020** £m
Eat Out to Help Out	Revenue	**-**	-	23
Coronavirus Job Retention Scheme	Other income	**129**	-	119
Total Government grants received		**129**	-	142

In addition to the grants received above, during the prior period, the UK Government announced 100% rate relief for all pubs and restaurants for the business rates year 2020/2021, covering the period from 1 April 2020 to 31 March 2021. During the current period, the UK Government announced an additional 3 months of 100% business rates relief to cover 1 April 2021 to 30 June 2021. The impact in the current period is an estimated saving of £41m (2020 28 weeks £2m, 2020 52 weeks £37m).

Although this has not been quantified, the Company has benefitted from a reduction in the rate of VAT from 20% to 5% on non-alcoholic sales which was introduced by the UK Government on 15 July 2020 and will continue until 30 September 2021. Following this a rate of 12.5% will apply for the subsequent six months until 31 March 2022.

3. SEPARATELY DISCLOSED ITEMS

In addition to presenting information on an IFRS basis, the Company also presents adjusted profit information that excludes separately disclosed items. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides management with useful additional information about the Company's performance and supports a more effective comparison of the Company's trading performance from one period to the next.

Separately disclosed items are those which are separately identified by virtue of their size or incidence

Critical accounting judgements
Judgement is used to determine those items which should be separately disclosed to allow a better understanding of the adjusted trading performance of the Company. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.

3. SEPARATELY DISCLOSED ITEMS (CONTINUED)

Separately disclosed items include movements in the valuation of the property portfolio as a result of the revaluation exercise of property, plant and equipment, impairment review of tenant's fixtures and fittings, impairment review of short leasehold and unlicensed properties, impairment review of right-of-use assets, VAT refund in relation to gaming duty, costs directly associated with the government enforced closure of pubs as a result of the Covid-19 pandemic and impairment of amounts owed by group undertakings.

The items identified are as follows:

	Note	28 weeks ended 10 April 2021 £m	28 weeks ended 11 April 2020 £m	52 weeks ended 26 September 2020 £m
Costs directly associated with the Covid-19 pandemic and enforced closure of pubs	a	**(4)**	(8)	(8)
Gaming machine settlement	b	**-**	-	12
Total separately disclosed items recognised within operating costs		**(4)**	(8)	4
Movements in the valuation of the property portfolio:				
- Impairment arising from the revaluation of freehold and long leasehold properties	c	**-**	(115)	(43)
- Impairment of short leasehold and unlicensed properties	d	**-**	-	(2)
- Impairment of freehold and long leasehold tenant's fixtures and fittings	e	**-**	(2)	(7)
Impairment of right-of-use assets	f	**-**	(8)	(13)
Net movement in the valuation of the property portfolio		**-**	(125)	(65)
Other separately disclosed items: Impairment of intercompany receivables	g	**-**	-	(5)
Total separately disclosed items		**(5)**	(133)	(66)

a. Costs directly associated with the Covid-19 pandemic primarily relate to the disposal of stock items at site that are beyond usable dates as a result of the government enforced closure of pubs. These costs are not considered to be part of normal trading activity.
b. Prior period income of £12m related to a long-standing claim with HMRC relating to VAT on gaming machines. HMRC first paid the Company £12m in May 2010, but following an appeal made by HMRC, the company repaid this amount in 2014. During the prior period HMRC agreed to settle this amount along with associated interest.
c. Impairment arising from the Company's revaluation of its freehold and long leasehold pub estate where the carrying values of the properties exceed their recoverable amount, net of a revaluation surplus that reverses past impairments (see note 7).
d. Impairment of short leasehold and unlicensed properties where their carrying values exceed their recoverable amount (see note 7).
e. Impairment of freehold and long leasehold tenant's fixtures and fittings, where their carrying value exceeds recoverable amount (see note 7).
f. Impairment of right-of-use assets where their carrying values exceed their recoverable amount (see note 12).
g. In the prior period an impairment of £5m was recognised against an intercompany receivable from Mitchells and Butlers plc.

4. FINANCE COSTS

	28 weeks ended 10 April 2021 £m	28 weeks ended 11 April 2020 £m	52 weeks ended 26 September 2020 £m
Intercompany interest on Term Advances	**(54)**	(57)	(105)
Liquidity facility fees reimbursed to Mitchells & Butlers Finance plc	**(1)**	(1)	(2)
Interest on lease liabilities	**(3)**	(3)	(6)
Total finance costs	**(58)**	(61)	(113)

5. TAXATION

Taxation – income statement	28 weeks ended 10 April 2021 £m	28 weeks ended 11 April 2020 £m	52 weeks ended 26 September 2020 £m
Current taxation:			
UK corporation tax	**-**	-	(5)
Amounts over provided in prior periods	**-**	-	3
Group relief received for nil payment	**-**	-	5
	-	-	3
Deferred taxation:			
Origination and reversal of temporary differences	**27**	15	11
Adjustments in respect of prior periods	**-**	-	(1)
Tax charge in respect of change in UK tax rate	**-**	(5)	(5)
	27	10	5
Total tax credited in the income statement	**27**	10	8

Tax has been calculated using an estimated annual effective rate of 19.6% (2020 28 weeks 23.8%) on loss before tax.

The tax credit in the income statement is wholly attributable to deferred tax. The full year results are expected to be an overall allowable tax loss and no corporation tax is expected to be payable for the 52 weeks ended 25 September 2021.

Taxation - other comprehensive income	28 weeks ended 10 April 2021 £m	28 weeks ended 11 April 2020 £m	52 weeks ended 26 September 2020 £m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
Unrealised losses/gains due to revaluations – revaluation reserve	**-**	39	(2)
Unrealised gains/losses due to revaluations – retained earnings	**-**	(1)	2
Rolled over and held over gains – retained earnings	**-**	(6)	(5)
	-	32	(5)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	**(13)**	4	6
Total tax (charge)/credit recognised in other comprehensive income	**(13)**	36	1

5. TAXATION (CONTINUED)

The Finance Act 2016 reduced the main rate of corporation tax from 19% to 17% from 1 April 2020.

The Finance Act 2020 maintained the main rate of corporation tax rate at 19% from 1 April 2020, overriding the Finance Act 2016. The effect of this change has been reflected in the closing deferred tax balances at 11 April 2020 and 26 September 2020.

On 3 March 2021 the Government announced that the main rate of corporation tax would increase to 25% with effect from 1 April 2023. This tax rate increase had not been substantively enacted at the balance sheet and therefore has not been reflected in the interim financial statement. If the increase had been enacted at the interim date, the deferred tax asset would have been increased by a maximum of £5m and the deferred tax liability would have been increased by a maximum of £72m.

6. DIVIDENDS

During the period, the Company has paid dividends of £nil (2020 28 weeks £10m, 52 weeks £10m). Dividend payments are made by the Company to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited.

7. PROPERTY, PLANT AND EQUIPMENT

Net book value	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
At beginning of period	**3,685**	3,881	3,881
Additions	**8**	68	75
Decrease as a result of the revaluation and impairment review	**-**	(462)	(186)
Disposals	**(2)**	(1)	-
Depreciation provided during the period	**(41)**	(47)	(85)
At end of period	**3,650**	3,439	3,685

All of the Company's property, plant and equipment pledged as security for the securitisation debt and over which there are certain restrictions on title.

Revaluation and impairment
At 10 April 2021, all of the Company's pubs and restaurants remained closed under the latest national lockdown. Due to the extended period of closure since the prior reporting date of 26 September 2020, this is considered to be a potential indicator of impairment of the Company's property, plant and equipment. As such, the revaluation and impairment approaches have been considered as follows.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation and impairment (continued)

Critical accounting judgements
The revaluation methodology is determined using management judgement, with advice from third-party valuers (CBRE) involving the application of a valuation multiple to the level of fair maintainable trade ('FMT') of each site.

At the prior period reporting date of 26 September 2020, judgement was applied to determine the most appropriate measure of site level FMT. Given numerous trading restrictions impacting all sites as well as significant period of mandated closure, FMT was determined by reference to the trading performance up to March 2020, the point of the first full lockdown following the emergence of Covid-19, in conjunction with the previous two years of trading performance.

At the interim date of 10 April 2021, given further periods of enforced closure which have persisted throughout the majority of the first half of the year, the March 2020 trading performance is still considered to be the most appropriate measure of site level FMT.

In the prior period, CBRE reduced the property multiples for certain brands to take into account the expected market impact of Covid-19. Multiples have been reviewed at the interim date in conjunction with CBRE and are still considered to be appropriate.

In addition, after application of a valuation multiple to provide a site valuation, an income shortfall deduction was made to reduce the resulting property valuations by the difference between the FMT and the value of the Covid-19 impacted site annual forecast for FY21. This methodology continues to be applied at the interim date. A revised annual profit forecast for H2 FY21 and H1 FY22 would result in a movement in the income shortfall deduction which is offset by depreciation charged in H1 FY21. Therefore resulting in an immaterial movement against net book value.

Given both the FMT and property multiples used at the prior reporting date remain constant at the interim date, and the movement in the income shortfall deduction is offset by depreciation charged in H1 FY21, management have concluded that a full estate valuation is not required at the interim date.

Impairment review
The fair value of tenant's fixtures and fittings are removed from the valuation of freehold and long leasehold properties and are subsequently reviewed for impairment by comparing recoverable amount to their carrying values. The recoverable amount is the higher of fair value less costs to sell or value in use. Any resulting impairment relates to sites with poor trading performance, where the output of the calculation is insufficient to justify their current net book value.

Short leasehold and unlicensed properties (comprising land and buildings and fixtures, fittings and equipment) which are not revalued to fair market value, are reviewed for impairment by comparing site recoverable amount to their carrying values. The recoverable amount is the higher of fair value less costs to sell or value in use. Any resulting impairment relates to sites with poor trading performance, where the output of the calculation is insufficient to justify their current net book value.

Value in use calculations use forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 8.8% (2020 28 weeks 8.1%, 52 weeks 9.9%) and a long term growth rate of 1.0% (2020 28 weeks 0.0%, 52 weeks 0.0%). At the interim date, the value in use calculations include an estimate of the impact of the expected remaining closure period and subsequent build up in trade post re-opening, as a direct result of the Covid-19 pandemic.

Critical accounting judgements
Judgement is required when assessing whether a short leasehold property or tenant's fixtures and fittings should be impaired as this requires management to determine the most reliable source for the basis of future income.

In the current and prior periods, judgement has been applied to determine the most appropriate forecast to use as a result of the impact of Covid-19 on site profitability. Site level forecasts, including the allocation of directly attributable overhead costs, have been used that formed the basis of the overall Group forecast for both FY 2021 and FY 2022, that was in place at the interim balance sheet date. Management apply judgement when allocating overhead costs to site cash flows, with an overhead allocation being made only for those costs that can be directly attributable to a site on a consistent basis.

Following a review of the interim impairment output, management have concluded that no additional impairment is required at the balance sheet date.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The impact of the revaluation and impairment review is as follows:

	28 weeks ended 10 April 2021 £m	28 weeks ended 11 April 2020 £m	52 weeks ended 26 September 2020 £m
Income statement			
Revaluation deficit charged as an impairment	**-**	(133)	(80)
Reversal of past revaluation deficits	**-**	18	37
Total impairment arising from the revaluation	**-**	(115)	(43)
Impairment of short leasehold and unlicensed properties	**-**	-	(2)
Impairment of freehold and long leasehold tenant's fixtures and fittings	**-**	(2)	(7)
	-	(117)	(52)
Revaluation reserve			
Unrealised revaluation surplus	**-**	24	65
Reversal of past revaluation surplus	**-**	(369)	(199)
	-	(345)	(134)
Net decrease in property, plant and equipment	**-**	(462)	(186)

Assets in the course of construction
Cost at 10 April 2021 includes £2m (11 April 2020 £4m, 26 September 2020 £5m) of assets in the course of construction.

8. TRADE AND OTHER RECEIVABLES

Current trade and other receivables	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
Trade receivables	**1**	2	2
Amounts owed by other group undertakings	**-**	6	1
Prepayments	**5**	8	2
Coronavirus Job Retention receivable	**31**	-	8
Other receivables	**4**	24	6
Total current trade and other receivables	**41**	40	19

Non-current trade and other receivables	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
Amounts owed from other group undertakings	**1,639**	1,639	1,639
Total non-current trade and other receivables	**1,639**	1,639	1,639

The Directors consider that the carrying amount of trade receivables, amounts owed from group undertakings and other receivables approximately equates to their fair value.

9. TRADE AND OTHER PAYABLES

	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
Accrued expenses	**56**	31	64
Social security and other taxes	**27**	37	34
Deferred income	**17**	20	11
Other payables	**7**	18	10
Amounts owed to group undertakings[a]	**131**	160	131
Total trade and other payables	**238**	266	250

a. Amounts owed to fellow subsidiary undertakings are repayable on demand. Interest is not charged on all balances. Where interest is charged, it is charged at market rate, based on what can be achieved on corporate deposits.

The Directors consider that the carrying amount of trade and other payables approximately equates to their fair value.

10. BORROWINGS

	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
Current	**172**	101	119
Non-current	**1,448**	1,555	1,498
Total borrowings	**1,620**	1,656	1,617

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 in the following six tranches:

- Class A1N Floating rate Term Advance for £200m
- Class A2 5.584% Term Advance for £550m
- Class A3N Floating rate Term Advance for £250m
- Class B1 5.975% Term Advance for £350m
- Class B2 6.023% Term Advance for £350m
- Class C1 6.479% Term Advance for £200m

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

- Class A4 floating rate Term Advance for £170m
- Class AB floating rate Term Advance for £325m
- Class C2 floating rate Term Advance for £50m
- Class D1 floating rate Term Advance for £110m

10. BORROWINGS (CONTINUED)

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

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

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

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

	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
Principal outstanding at beginning of the period	**1,609**	1,698	1,698
Principal repaid during the period	**(29)**	(45)	(89)
Principal outstanding at end of period	**1,580**	1,653	1,609
Deferred issue costs	**(4)**	(4)	(4)
Accrued interest	**44**	7	12
Carrying value at end of period	**1,620**	1,656	1,617

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.

During the prior period, and as a result of the Covid-19 pandemic, material trading restrictions were imposed on the Company, the Group and the sector, including mandated closure for over three months. Mitigating action was swiftly taken and this included agreeing revised arrangements in the secured financing structure with the consent of the controlling creditor of the securitisation and the Securitisation Trustee. As a result, a series of amendments and waivers to the securitisation covenants was obtained, as detailed in the Mitchells & Butlers plc Annual Report and Accounts 2020. During the current period a series of further amendments and waivers to the securitisation covenants were obtained as follows:

- a further waiver of, and amendment to, the 30 day suspension of business provision, where the suspension has arisen because of the ongoing enforced closure during the Covid-19 pandemic;
- a waiver of the two quarter look-back debt service coverage ratio test up until April 2022 and a waiver of the four quarter look-back debt service coverage ratio test up until July 2022, with both tests then performed at revised lower levels until full reinstatement in January 2023;
- a waiver to facilitate drawings of up to £110m in total under the Liquidity Facility providing the Group with additional facilities in order to meet payments of principal and interest, provided such drawings are repaid in full at the end of December 2021.

At 10 April 2021, the Company had cash and cash equivalents of £36m (11 April 2020 £47m, 26 September 2020 £63m). Of this amount £1m (11 April 2020 £1m, 26 September 2020 £1m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions. The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

11. FINANCIAL INSTRUMENTS

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

	Total Liabilities		
	Less than one year	More than one year	Total
10 April 2021	£m	£m	£m
Cash flow hedges			
Intercompany interest rate swaps	**39**	**190**	**229**

	Total Liabilities		
	Less than one year	More than one year	Total
11 April 2020	£m	£m	£m
Cash flow hedges			
Intercompany interest rate swaps	37	255	292

	Total Liabilities		
	Less than one year	More than one year	Total
26 September 2020	£m	£m	£m
Cash flow hedges			
Intercompany interest rate swaps	40	259	299

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.

12. LEASES

Right-of-use assets

	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
At start of period	**127**	-	-
IFRS 16 transition	**-**	153	153
Additions	**22**	4	4
Depreciation provided during the period	**(8)**	(9)	(15)
Impairment	**-**	(8)	(13)
Disposals	**-**	-	(2)
At end of period	**141**	140	127

12. LEASES (CONTINUED)

Impairment of right-of-use assets
Right-of-use assets are reviewed for impairment by comparing site recoverable amounts to their carrying values. Any resulting impairment relates to sites with poor forecast trading performance, where the output of the calculation is insufficient to justify their current net book value. For practical reasons the impairment review of right-of-use assets is performed simultaneously with the impairment review of short leasehold assets classified within property, plant and equipment, as an individual site is a single cash generating unit. Recoverable amount is the higher of fair value less costs to sell and value in use.

The methodology and critical accounting judgements used for this impairment review are explained in note 7. Following a review of the interim impairment output, management have concluded that no additional impairment is required at the balance sheet date.

Lease liabilities

An analysis of lease liabilities recognised are as follows:

	10 April 2021 £m	11 April 2020 £m	26 September 2020 £m
Current lease liabilities	**(28)**	(22)	(24)
Non-current lease liabilities	**(155)**	(150)	(146)
	(183)	(172)	(170)

13. EQUITY

Share Capital

	10 April 2021		11 April 2020		26 September 2020	
Allotted, called up and fully paid	**Number**	**£**	Number	£	Number	£
Ordinary shares of £1 each[a]	**145,882,000**	**145,882,000**	3,882,000	3,882,000	50,882,000	50,882,000
Ordinary shares of £0.0001 each	**214,000,000**	**21,400**	214,000,000	21,400	214,000,000	21,400
	359,882,000	**145,903,400**	217,882,000	3,903,400	264,882,000	50,903,400

a. During the current period 95 million ordinary shares (11 April 2020 nil, 26 September 2020 47 million) of £1 each were issued and subscribed for by Mitchells & Butlers Retail Holdings Limited.
b. All of the ordinary shares rank equally with respect to voting rights and rights to receive dividends.

14. CONTINGENT LIABILITIES

Pursuant to the securitisation of the business of Mitchells & Butlers Retail Limited on 13 November 2003, the Company is jointly and severally liable with various other companies within the Mitchells & Butlers group, for all advances made by Mitchells & Butlers Finance plc to the Company and other companies within the Mitchells & Butlers group, under the Agreement.

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

Mitchells & Butlers Retail Limited

Reconciliation between Interim Investor Report and the Semi-Annual Financial Statements for the 28 weeks ended 10 April 2021

	Final Investor Report £m	IFRS 16 Adjustments £m	Separately disclosed items £m	Financial Statements £m
Turnover	161.4	(0.6)	0	161
Operating costs	(239.6)	6.2	(4.2)	(238)
Operating (loss)/profit	(78.2)	5.6	(4.2)	(77)
Add back: Separately disclosed items	0.0	0.0	4.2	4
Add back: Depreciation and amortisation	41.2	7.5	0	49
EBITDA	(37.0)	13.1	0	(24)

Separately disclosed items consist of those detailed in note 3 of the semi-annual financial statements.

The IFRS 16 adjustments within operating (loss)/profit are detailed below:

	£m
Include rent receivable	(0.6)
Include dilapidation costs	1.6
Include rent payable	12.1
EBITDA adjustment	13.1
Remove right-of-use asset depreciation	(7.5)
Operating profit/(loss) adjustment	5.6