

# **Mitchells & Butlers Retail Limited**

## **Unaudited Semi-Annual Financial Statements**

For the 28 weeks ended 11 April 2015

*Registered Number: 24542*

# Mitchells & Butlers Retail Limited

## PROFIT AND LOSS ACCOUNT For the 28 weeks ended 11 April 2015

		<i>28 weeks ended 11 April 2015 Unaudited £m</i>	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>52 weeks ended 27 September 2014 Audited £m</i>
	<i>Notes</i>			
<b>TURNOVER</b>		<b>865</b>	855	1,613
Operating costs*		<b>(732)</b>	(726)	(1,381)
<b>OPERATING PROFIT</b>	2	<b>133</b>	129	232
Interest payable and similar charges	3	<b>(70)</b>	(71)	(132)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>63</b>	58	100
Tax on profit on ordinary activities	4	<b>(11)</b>	(11)	(22)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>52</b>	47	78

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 27 September 2014 includes an exceptional impairment charge in respect of tangible fixed assets of £31m.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the 28 weeks ended 11 April 2015

		<i>28 weeks ended 11 April 2015 Unaudited £m</i>	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>52 weeks ended 27 September 2014 Audited £m</i>
	<i>Notes</i>			
<b>RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>52</b>	47	78
Unrealised gain on revaluation of the property portfolio		-	-	54
Dividends	5	-	(49)	(73)
<b>NET INCREASE / (DECREASE) IN SHAREHOLDERS' FUNDS</b>		<b>52</b>	(2)	59
Opening shareholders' funds		<b>3,037</b>	2,978	2,978
<b>CLOSING SHAREHOLDERS' FUNDS</b>		<b>3,089</b>	2,976	3,037

BALANCE SHEET

At 11 April 2015

		<i>11 April 2015 Unaudited</i>	<i>12 April 2014 Unaudited</i>	<i>27 September 2014 Audited</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>FIXED ASSETS</b>				
Tangible assets		<b>3,610</b>	3,569	3,597
Investments		<b>21</b>	21	21
		<b>3,631</b>	3,590	3,618
<b>CURRENT ASSETS</b>				
Stocks		<b>19</b>	19	19
Debtors: amounts falling due within one year	6	<b>1,671</b>	1,661	1,666
Cash at bank and in hand		<b>90</b>	97	78
		<b>1,780</b>	1,777	1,763
<b>CREDITORS: amounts falling due within one year</b>	7	<b>(291)</b>	(295)	(284)
<b>NET CURRENT ASSETS</b>		<b>1,489</b>	1,482	1,479
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,120</b>	5,072	5,097
<b>CREDITORS: amounts falling due after more than one year</b>	8	<b>(1,979)</b>	(2,042)	(2,006)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	10	<b>(52)</b>	(54)	(54)
<b>NET ASSETS</b>		<b>3,089</b>	2,976	3,037
<b>CAPITAL AND RESERVES</b>				
Share capital		<b>4</b>	4	4
Share premium account		<b>1,561</b>	1,561	1,561
Revaluation reserve		<b>1,238</b>	1,186	1,238
Profit and loss account		<b>286</b>	225	234
<b>SHAREHOLDERS' FUNDS</b>		<b>3,089</b>	2,976	3,037

### 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 27 September 2014. 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 27 September 2014 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 11 April 2015 and 12 April 2014 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 11 April 2015 Unaudited £m</i>	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>52 weeks ended 27 September 2014 Audited £m</i>
EBITDA	181	181	359
Depreciation	(48)	(52)	(96)
Movement in the valuation of the property portfolio*	-	-	(31)
Operating Profit	<u>133</u>	<u>129</u>	<u>232</u>

\* 52 weeks ended 27 September 2014 includes a movement of £31m in the valuation of the property portfolio, comprising £3m of impairment recognised on short leasehold and unlicensed properties where their carrying values exceed their recoverable amount and a £28m charge arising from the Company's annual revaluation of its pub estate.

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	<i>28 weeks ended 11 April 2015 Unaudited £m</i>	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>52 weeks ended 27 September 2014 Audited £m</i>
Interest payable to Mitchells & Butlers Finance plc	69	71	131
Finance costs external	1	-	1
	<u>70</u>	<u>71</u>	<u>132</u>

**4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<i>28 weeks ended 11 April 2015 Unaudited £m</i>	<i>28 weeks ended 12 April 2014 Unaudited £m</i>	<i>52 weeks ended 27 September 2014 Audited £m</i>
UK corporation tax	12	13	28
Prior year adjustment to current tax	-	-	(4)
Deferred tax	(1)	(2)	(2)
	<u>11</u>	<u>11</u>	<u>22</u>
Further analysed as tax relating to:			
Operating profit before exceptional items	11	11	24
Exceptional items – current and deferred tax	-	-	(2)
	<u>11</u>	<u>11</u>	<u>22</u>

**5. DIVIDENDS**

During the period, the Company has paid dividends of £nil (2014 28 weeks £37m, 52 weeks £73m) and declared dividends of £nil (12 April 2014 £12m, 27 September 2014 £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>11 April 2015 Unaudited £m</i>	<i>12 April 2014 Unaudited £m</i>	<i>27 September 2014 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	3	3
Prepayments / Other debtors	19	14	12
Corporation tax	5	-	7
	<u>1,671</u>	<u>1,661</u>	<u>1,666</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>11 April 2015 Unaudited £m</i>	<i>12 April 2014 Unaudited £m</i>	<i>27 September 2014 Audited £m</i>
Term Advances with Mitchells & Butlers Finance plc (note 9)	<b>63</b>	59	61
Amounts owed to fellow subsidiary undertakings	<b>111</b>	118	111
Other taxation and social security	<b>55</b>	55	50
Other creditors and accruals	<b>62</b>	63	62
	<b><u>291</u></b>	<u>295</u>	<u>284</u>

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

	<i>11 April 2015 Unaudited £m</i>	<i>12 April 2014 Unaudited £m</i>	<i>27 September 2014 Audited £m</i>
Term Advances with Mitchells & Butlers Finance plc (note 9)	<b><u>1,979</u></b>	<u>2,042</u>	<u>2,006</u>

**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

**9. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC (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 at 11 April 2015 is analysed as follows:

	£m
Principal outstanding at 27 September 2014	2,071
Principal repaid during the period	(30)
Principal outstanding at 11 April 2015	<b>2,041</b>
Deferred issue costs	(8)
Accrued interest	9
Carrying value at 11 April 2015	<b>2,042</b>
Maturity profile:	
Amounts falling due within one year	<b>63</b>
Amounts falling due after more than one year	<b>1,979</b>
	<b>2,042</b>

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 11 April 2015, the Company had cash and cash equivalents of £90m (12 April 2014 £97m, 27 September 2014 £78m), which were governed by the covenants associated with the securitisation. Of this amount £37m (12 April 2014 £46m, 27 September 2014 £36m), 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>11 April 2015 Unaudited £m</i>	<i>12 April 2014 Unaudited £m</i>	<i>27 September 2014 Audited £m</i>
Deferred tax	46	48	48
Property provisions	6	6	6
	<u>52</u>	<u>54</u>	<u>54</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 £1,027m (12 April 2014 £1,047m, 27 September 2014 £1,037m) from floating rate interest payable to fixed rate interest payable. At the period end these had a fair value of £333m (12 April 2014 £225m, 27 September 2014 £240m).

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM  
INVESTOR REPORT: 11 APRIL 2015

	<i><b>Q1 Investor Report £m</b></i>	<i><b>Q2 Investor Report £m</b></i>	<i><b>Q1 + Q2 Interim Investor Report £m</b></i>	<i><b>Semi-Annual Financial Statements £m</b></i>
Turnover	496.6	368.2	864.8	<b>865</b>
Operating expenses	(422.0)	(310.3)	(732.3)	<b>(732)</b>
Operating profit	<u>74.6</u>	<u>57.9</u>	<u>132.5</u>	<u><b>133</b></u>
Depreciation	27.4	20.7	48.1	<b>48</b>
EBITDA	<u><u>102.0</u></u>	<u><u>78.6</u></u>	<u><u>180.6</u></u>	<u><u><b>181</b></u></u>