**Unaudited Semi-Annual Financial Statements** 

For the 28 weeks ended 13 April 2019

Registration Number: 24542

# Mitchells & Butlers Retail Limited Income statement for the 28 weeks ended 13 April 2019

	Notes	28 weeks ended 13 April 2019 £m	28 weeks ended 14 April 2018 £m	52 weeks ended 29 September 2018 £m
Revenue		890	856	1,625
Operating costs Separately disclosed items OPERATING PROFIT	2	(749) - 141	(726) - 130	(1,365) (32) 228
Finance revenue Finance costs	3 4	1 (62)	- (64)	1 (117)
PROFIT BEFORE TAXATION	-	80	66	112
Tax expense	5	(12)	(11)	(16)
PROFIT FOR THE PERIOD	<u>-</u>	68	55	96

The above results are derived from continuing operations.

# Statement of comprehensive income for the 28 weeks ended 13 April 2019

N	Notes	28 weeks ended 13 April 2019 £m	28 weeks ended 14 April 2018 £m	52 weeks ended 29 September 2018 £m
PROFIT FOR THE PERIOD		68	55	96
Items that will not be reclassified subsequently to profit or loss:  Unrealised gain on revaluation of the property portfolio Tax relating to items not reclassified	5 _	- 1 1	4	(10) 3 (7)
Items that may be reclassified subsequently to profit or loss:  Cash flow hedges:				
-(Losses)/gains arising during the period -Reclassification adjustments for items included in		(27)	6	6
profit or loss		18	22	42
Tax credit/(charge) relating to items that may be reclassified	5	1_	(5)	(8)
		(8)	23	40
OTHER COMPREHENSIVE (EXPENSE)/INCOME AFTER TAX	-	(7)	27	33
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>-</u>	61	82	129

(Registration number: 24542)

# Balance sheet as at 13 April 2019

Notes £m £m  NON-CURRENT ASSETS Intangible assets - 1	2018 £m - 3,788 21 9
NON-CURRENT ASSETS Intangible assets - 1	- 3,788 21 9
Intangible assets - 1	21 9
	21 9
Property plant and equipment / 3.010 3.030	21 9
Investments in subsidiaries 21 21	9
Deferred tax asset 12 45	
Lease premiums 1 1	
·	3,819
CURRENT ASSETS	
Inventories 21 20	20
Trade and other receivables 8 1,667 1,662	,666
Cash and cash equivalents 69 79	54
Assets held for sale	-
TOTAL CURRENT ASSETS 1,757 1,761	,740
TOTAL ASSETS 5,665 5	5,559
CURRENT LIABILITIES	
Trade and other payables 9 (237) (237)	(219)
Corporation tax liabilities (6) (2)	(8)
Borrowings 10 <b>(89) (84)</b>	(86)
Derivative financial instruments 11 (36) (40)	(37)
TOTAL CURRENT LIABILITIES (368) (363)	(350)
NET CURRENT ASSETS 1,389 1,398 1	,390
TOTAL ASSETS LESS CURRENT LIABILITIES 5,239 5,302 5	5,209
NON-CURRENT LIABILITIES	
	,697)
Derivative financial instruments 11 (216) (224)	(206)
Deferred tax liabilities (240) (278)	(240)
Provisions (8) (9)	(8)
TOTAL NON-CURRENT LIABILITIES (2,120) (2,256)	2,151)
TOTAL LIABILITIES (2,488) (2,619)	2,501)
NET ASSETS 3,119 3,046	3,058
EQUITY	
Share capital 4 4	4
Hedging reserve (210) (219)	(202)
Revaluation reserve 1,057 1,065	,057
Profit and loss account 2,268 2,196 2	2,199
TOTAL EQUITY 3,119 3,046 3	3,058

# Mitchells & Butlers Retail Limited Statement of Changes in Equity for the 28 weeks ended 13 April 2019

	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 30 September 2017	4	1,065	(242)	2,157	2,984
Profit for the period	-	-	-	55	55
Other comprehensive income			23	4	27
Total comprehensive income Dividends	<u>-</u> <u>-</u>	<u> </u>	23	59 (20)	82 (20)
At 14 April 2018	4	1,065	(219)	2,196	3,046
Profit for the period	-	-	-	41	41
Other comprehensive income/(expense)		(8)	17_	(3)	6
Total comprehensive income/(expense)		(8)	17	38	47
Dividends	<u>-</u>	<del>-</del> _		(35)	(35)
At 29 September 2018	4	1,057	(202)	2,199	3,058
Profit for the period	-	-	-	68	68
Other comprehensive income/(expense)		<u> </u>	(8)	1	(7)
Total comprehensive income/(expense)			(8)	69	61
At 13 April 2019	4	1,057	(210)	2,268	3,119

#### Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2019

#### 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 29 September 2018 has been extracted from the Company's published financial statements for that period, which contain an unqualified audit report and which have been filed with the Registrar of Companies and did not include an emphasis of matter reference, or any statement required under Section 498(2) or (3) of the Companies Act 2006.

The periods ended 13 April 2019 and 14 April 2018 are regarded as distinct financial periods for accounting purposes; income and costs are recognised in the profit and loss account as they arise; tax is calculated on the basis of the expected effective tax rate for the full year.

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

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

#### 2. OPERATING PROFIT

	28 weeks ended	28 weeks ended	52 weeks ended
	13 April	14 April	29 September
	2019	2018	2018
	£m	£m	£m
EBITDA Depreciation and amortisation	192	180	353
	(51)	(50)	(93)
Movement in the valuation of the property portfolio <sup>a</sup> Profit arising on property disposals	-	(2)	(34)
Operating Profit	141	130	228

a. No impairment charge (14 April 2018 £2m, 29 September 2018 £7m) has been recognised for the 28 weeks ended 13 April 2019 relating to short leasehold properties where their carrying values exceed their recoverable amount.

52 weeks ended 29 September 2018 includes an additional charge of £27m arising from the Company's annual revaluation of its pub estate.

#### 3. FINANCE REVENUE

	28 weeks ended	28 weeks ended	52 weeks ended
	13 April	14 April	29 September
	2019	2018	2018
	£m	£m	£m
Finance revenue intercompany	1		1_

## Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2019

#### 4. FINANCE COSTS

	28 weeks ended 13 April 2019 £m	28 weeks ended 14 April 2018 £m	52 weeks ended 29 September 2018 £m
Intercompany interest on Term Advances	(60)	(62)	(114)
Liquidity facility fees reimbursed to Mitchells & Butlers Finance plc	(2)	(2)	(3)
Total finance costs	(62)	(64)	(117)

#### 5. TAXATION

	28 weeks ended 13 April 2019	28 weeks ended 14 April 2018	52 weeks ended 29 September 2018
Taxation – income statement	£m	£m	£m
Current taxation: UK corporation tax	(16)	(12)	(26)
UK corporation tax adjustments to prior periods	1	(1)	3
Group relief received for nil payment	(14)	(12)	(23)
Deferred taxation: Arising from origination and reversal of temporary			
differences	2	1	7
	2	1	7
Total tax expense recognised in the income statemen	t <b>(12)</b>	(11)	(16)

	28 weeks ended 13 April 2019	28 weeks ended 14 April 2018	52 weeks ended 29 September 2018
Taxation - other comprehensive income	£m	£m	£m
Deferred tax:	2111	2111	2111
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gains due to revaluations – revaluation			
reserve	-	-	2
Unrealised gains due to revaluations – retained			
earnings	1	4	1
	1	4	3
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	1	(5)	(8)
Total tax credit/(charge) recognised in other comprehensive income	2	(1)	(5)

Tax has been calculated using an estimated annual effective rate of 19.0% (2018 28 weeks 19.0%) on profit before tax.

The Finance (No.2) Act 2015 was enacted on 18 November 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balances at 14 April 2018, 29 September 2018 and 13 April 2019.

### Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2019

#### 6. DIVIDENDS

During the period, the Company has paid no dividends (2018 28 weeks £20m, 52 weeks £55m). Dividend payments are made by the Company to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited.

#### 7. PROPERTY, PLANT AND EQUIPMENT

	13 April	14 April	29 September
	2019	2018	2018
	£m	£m	£m
At beginning of period	3,788	3,808	3,808
Additions	78	81	117
Impairment/revaluation	-	(2)	(44)
Disposals	-	(1)	(1)
Depreciation provided during the period	(50)	(50)	(92)
At end of period	3,816	3,836	3,788

#### 8. TRADE AND OTHER RECEIVABLES

	13 April	14 April	29 September
	2019	2018	2018
	£m	£m	£m
Trade receivables	2	2	3
Amounts owed by other group undertakings*	1,644	1,645	1,646
Prepayments	17	12	15
Other receivables	4	3	2
Total trade and other receivables	1,667	1,662	1,666

<sup>\*</sup>Includes an amount of £1,362m (14 April 2018 £1,362m, 29 September 2018 £1,362m) owed by Mitchells & Butlers Retail Holdings Ltd and £282m (14 April 2018 £282m, 29 September 2018 £282m) owed by Mitchells & Butlers plc. These amounts are non-interest bearing loans.

#### 9. TRADE AND OTHER PAYABLES

	13 April 2019 £m	14 April 2018 £m	29 September 2018 £m
Accrued expenses	48	47	43
Social security and other taxes	48	47	36
Other payables	36	29	30
Amounts owed to group undertakings	105	114	110
Total trade and other payables	237	237	219

#### Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2019

#### 10. BORROWINGS

On 13 November 2003, the Group refinanced its debt by raising £1,900m through a securitisation of the majority of its UK pubs and restaurants whereby Mitchells & Butlers Finance plc, a fellow subsidiary within the Group, issued £1,900m of secured loan notes to third party investors and on-lent the proceeds to the Company under the Agreement. On 15 September 2006, Mitchells & Butlers Finance plc issued an incremental £655m of secured loan notes to third party investors, in addition to refinancing £450m of Floating Rate Notes and on-lent the proceeds to the Company under the Agreement as amended and restated.

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

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

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

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

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

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

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

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

	13 April	14 April	29 September
	2019	2018	2018
	£m	£m	£m
Principal outstanding at beginning of the period	1,785	1,867	1,867
Principal repaid during the period	(43)	(41)	(82)
Principal outstanding at end of period Deferred issue costs Accrued interest	1,742	1,826	1,785
	(5)	(6)	(5)
	8	9	3
Carrying value at end of period	1,745	1,829	1,783
Maturity profile: Amounts falling due within one year Amounts falling due after more than one year	89 1,656	84 1,745	86 1,697
<u> </u>	1,745	1,829	1,783

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

#### Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2019

#### 10. BORROWINGS (CONTINUED)

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 13 April 2019, the Company had cash and cash equivalents of £69m (14 April 2018 £79m, 29 September 2018 £54m). Of this amount £1m (14 April 2018 £1m, 29 September 2018 £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	More than	
	one year	one year	Total
13 April 2019	£m	£m	£m
Cash flow hedges			
Intercompany interest rate swaps	36	216	252
	Total Lia	hilitias	
	Less than	More than	
	one year	one year	Total
14 April 2018	£m	£m	£m
14 April 2010	2	<b>~</b>	~
Cash flow hedges			
Intercompany interest rate swaps	40	224	264
	Total Lia	bilities	
	Less than	More than	
	one year	one year	Total
29 September 2018	£m	£m	£m
Cash flow hedges			
Intercompany interest rate swaps	37	206	243

#### 12. 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.

## Supplementary schedule for the 28 weeks ended 13 April 2019

### **Reconciliation between Investor Report and Financial Statements**

	Final Investor Report £m	Separately disclosed Items £m	Financial Statements £m
Turnover	889.9	0	890
Operating costs	(748.6)	0	(749)
Operating profit	141.3	0	141
Add back separately disclosed items	0.0	0	0
Depreciation & Amortisation	50.7	0	51
EBITDA	192.0	0	192