Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 9 April 2022

Registration Number: 24542

Mitchells & Butlers Retail Limited
Income statement for the 28 weeks ended 9 April 2022

	Notes	28 weeks ended 9 April 2022 £m	28 weeks ended 10 April 2021 £m	52 weeks ended 25 September 2021 £m
Revenue		**865**	161	772
Other income	2	**3**	129	163
Operating costs		**(769)**	(363)	(899)
Separately disclosed items	3	**-**	(4)	53
OPERATING PROFIT/(LOSS)		**99**	(77)	89
Finance income	4	**-**	-	1
Finance costs	4	**(54)**	(58)	(108)
PROFIT/(LOSS) BEFORE TAXATION		**45**	(135)	(18)
Tax (charge)/credit	5	**(6)**	27	(6)
PROFIT/(LOSS) FOR THE PERIOD		**39**	(108)	(24)

The above results are derived from continuing operations.

Mitchells & Butlers Retail Limited

Statement of comprehensive income/(expense) for the 28 weeks ended 9 April 2022

	Notes	28 weeks ended 9 April 2022 £m	28 weeks ended 10 April 2021 £m	52 weeks ended 25 September 2021 £m
PROFIT/(LOSS) FOR THE PERIOD		**39**	(108)	(24)
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of the property portfolio		**-**	-	132
Tax relating to items not reclassified	5	**-**	-	(106)
		-	-	26
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges:				
-Gains arising during the period		**53**	49	51
-Reclassification adjustments for items included in profit or loss		**19**	20	40
Tax charge relating to items that may be reclassified	5	**(18)**	(13)	(5)
		54	56	86
OTHER COMPREHENSIVE INCOME AFTER TAX		**54**	56	112
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**93**	(52)	88

Mitchells & Butlers Retail Limited

(Registration number: 24542)

Balance sheet as at 9 April 2022

	Notes	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
NON-CURRENT ASSETS				
Property, plant and equipment	7	**3,804**	3,650	3,806
Right of use assets	10	**118**	141	121
Investments in subsidiaries		**21**	21	21
Trade and other receivables		**1,639**	1,639	1,639
Finance lease receivable		**2**	3	3
Deferred tax asset		**-**	17	-
TOTAL NON-CURRENT ASSETS		**5,584**	5,471	5,590
CURRENT ASSETS				
Inventories		**17**	10	14
Trade and other receivables		**36**	41	29
Finance lease receivables		**1**	1	1
Current tax receivable		**-**	-	3
Cash and cash equivalents		**87**	36	66
TOTAL CURRENT ASSETS		**141**	88	113
TOTAL ASSETS		**5,725**	5,559	5,703
CURRENT LIABILITIES				
Trade and other payables		**(330)**	(238)	(290)
Current tax liabilities		**-**	(1)	-
Borrowings	8	**(113)**	(172)	(110)
Lease liabilities	10	**(17)**	(28)	(21)
Derivative financial instruments	9	**(36)**	(39)	(37)
TOTAL CURRENT LIABILITIES		**(496)**	(478)	(458)
NET CURRENT LIABILITIES		**(355)**	(390)	(345)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,229**	5,081	5,245
NON-CURRENT LIABILITIES				
Borrowings	8	**(1,335)**	(1,448)	(1,389)
Lease liabilities	10	**(131)**	(155)	(139)
Derivative financial instruments	9	**(100)**	(190)	(171)
Deferred tax liabilities		**(369)**	(228)	(345)
Provisions		**(4)**	(3)	(4)
TOTAL NON-CURRENT LIABILITIES		**(1,939)**	(2,024)	(2,048)
TOTAL LIABILITIES		**(2,435)**	(2,502)	(2,506)
NET ASSETS		**3,290**	3,057	3,197
EQUITY				
Share capital		**146**	146	146
Hedging reserve		**(102)**	(186)	(156)
Revaluation reserve		**1,005**	979	1,005
Profit and loss account		**2,241**	2,118	2,202
TOTAL EQUITY		**3,290**	3,057	3,197

Mitchells & Butlers Retail Limited

Statement of Changes in Equity for the 28 weeks ended 9 April 2022

	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
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
Profit for the period	-	-	-	84	84
Other comprehensive income	-	26	30	-	56
Total comprehensive income	-	26	30	84	140
At 25 September 2021	**146**	**1,005**	**(156)**	**2,202**	**3,197**
Profit for the period	-	-	-	39	39
Other comprehensive income	-	-	54	-	54
Total comprehensive income	-	-	54	39	93
At 9 April 2022	**146**	**1,005**	**(102)**	**2,241**	**3,290**

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 25 September 2021 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 9 April 2022 and 10 April 2021 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.

Going concern

The persistence of a high degree of volatility in both sales and costs outlooks casts a degree of uncertainty as to the future financial performance and cash flows of the Company. These have been considered by the Directors in assessing the ability of the Company to continue as a going concern.

The Company’s financing is based on securitised debt which include various covenants. Together with fellow subsidiary undertakings of the Mitchells & Butlers plc Group, the Company is part of the Securitisation Group of companies. Last year the Securitisation Group obtained agreement to a number of covenant waivers and amendments with Ambac Assurance UK Ltd, as controlling creditor, and HSBC Trustee (CI), as trustee, running until January 2023 to provide flexibility and stability to manage the Securitisation Group’s secured debt financing structure.

In the year ahead the main uncertainties are considered to be the continuing recovery of sales, and the future outlook for cost inflation, most notably in energy prices, food costs and wages and salaries. The outlook for these is highly uncertain and will depend on a number of factors including consumer demand, global supply chain disruptions and government policy.

The Directors of Mitchells & Butlers plc Group have reviewed the revised financing arrangements against a forward trading forecast. As a result of this review, the Directors of Mitchells & Butlers plc Group continue to adopt going concern as the basis for preparation of the Group Interim accounts. On this basis, the Directors of the Company continue to adopt the going concern basis in the preparation of the Company’s semi-annual financial statements.

However, given the prevailing high level of unpredictability and uncertainty concerning both sales and cost inflation, the Directors of Mitchells & Butlers plc Group cannot conclude that the possibility of an un-waived breach of covenant is remote and therefore a material uncertainty exists. In line with this, the Directors of the Company have concluded that a material uncertainty also exists which may cast significant doubt over the Company’s ability to trade as a going concern, in which case it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Further detail is provided in the Mitchells & Butlers plc Group Interim accounts.

1. BASIS OF PREPARATION (CONTINUED)

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 2021, other than the adoption of new accounting standards set out below.

Interest Rate Benchmark Reform – Phase 2
(Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, IFRS 16 Leases)

The Company has adopted the amendments to IFRS 9, included in Phase 2 of the Interest Rate Benchmark Reform, in the current period, which address issues that might affect financial reporting during the reform of an interest rate benchmark. This includes the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

A number of the Company's financial instruments had LIBOR as their interest reference rate at the start of the period. During the period, the Company completed the necessary amendments to transition its financing arrangements in advance of the discontinuation of LIBOR as a floating reference rate, replacing LIBOR with a Sterling Overnight Index Average (SONIA) based rate. The amendments in respect of the securitised bonds were agreed by the Bondholders through a formal consent solicitation process and bilateral agreements were reached with securitised swap providers (using amended reference rates consistent with those agreed under the bonds). All facilities and agreements referencing Sterling LIBOR transitioned in the period and now reference SONIA, plus a credit adjustment spread of 11.93 basis points to maintain an economically equivalent position, for periods commencing on or after 1st January 2022.

As part of the transition, all of the Company's hedge relationships have been reviewed and these continue to be highly effective. Hedge documentation has been updated in accordance with the reliefs permitted in the amendments to IFRS 9, designating the new interest reference rate in both the hedged item and the hedging instrument. As a result of the transition, there has been no impact on the amounts recognised in the income statement or statement of other comprehensive income.

2. OPERATING PROFIT/(LOSS)

	28 weeks ended 9 April 2022 £m	28 weeks ended 10 April 2021 £m	52 weeks ended 25 September 2021 £m
EBITDA	**144**	(24)	125
Depreciation and amortisation	**(45)**	(49)	(89)
Separately disclosed items	**-**	(4)	53
Operating profit /(loss)	**99**	(77)	89

Government grants

Local Authority Grants
Following the outbreak of the Covid-19 global pandemic in early 2020 and the subsequent forced closure of the business, the Mitchells & Butlers Group (MAB), under the Temporary Framework for State Aid for Covid-19 Reponses (TF), has received a number of different areas of support from both local and central Government in the UK and also Germany. During the prior period, the Group applied for various Local Authority grants as a result of both local and national restrictions that required pubs and restaurants to close. Under those schemes, businesses in the retail, hospitality and leisure sectors in England and Germany were entitled to one-off cash grants for each business impacted. The maximum amount the Group was able to claim was £10.9m as a result of the State Aid cap. However, following the EU Court ruling on State Aid aggregation, it has now become clear that aid provided to a Group via different countries, does not require aggregation for the purposes of the State Aid cap provided there is sufficient autonomy between subsidiaries operating in different countries. As a result, the Group has sufficient headroom to recognise further support, albeit subject to the individual caps applicable in both the UK and Germany. This has resulted in the recognition of an additional £1.5m of income, attributable to Mitchells & Butlers Retail, in the period.

Following the outbreak of the Omicron variant of Covid-19 in the UK in November 2021, the Government introduced some further grants to help support businesses in the leisure and hospitality sectors. Under this scheme, the maximum amount the Group was able to claim was £1.3m, of which £1.0m has been attributed to Mitchells & Butlers Retail and therefore recognised in the income statement in the period.

2. OPERATING PROFIT/(LOSS) (CONTINUED)

Government grants (continued)

Apprenticeship incentives
The Group is entitled to claim £1,000 for each apprentice employed, where they are aged 16 to 18, or under 25 and meet certain other criteria.

As part of its response to the Covid-19 pandemic, the UK Government introduced a scheme to enable an employer to receive up to an additional £3,000 per apprentice, where the apprentice commenced employment between 1 August 2020 and 31 January 2022. The payment is phased with amounts due in equal instalments at 90 days and 365 days after employment commenced and is recognised on receipt of cash.

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

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

Government grant scheme	**Income statement line impact**	**28 weeks ended 9 April 2022 £m**	**28 weeks ended 10 April 2021 £m**	**52 weeks ended 25 September 2021 £m**
Local Authority Grants	Other income	**2**	-	8
Apprenticeship incentives	Other income	**1**	-	-
Coronavirus Job Retention Scheme	Other income	**-**	129	155
Total Government grants received		**3**	129	163

Business rates
In addition to the grants received above, during a 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 prior period, the UK Government announced an additional 3 months of 100% business rates relief to cover 1 April 2021 to 30 June 2021 for properties in England. Following this, business rates have been discounted by two-thirds from 1 July 2021 until 31 March 2022 in England subject to £2m cap for the Group's English properties. There has also been an extension of 100% rates relief for hospitality businesses in Scotland and Wales until 31 March 2022. The impact in the current period, across all sites within the UK, is an estimated saving of £4m (2021 28 weeks £41m, 2021 52 weeks £59m).

VAT
The Company has also 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 continued until 30 September 2021. Following this a rate of 12.5% applied for the subsequent six months until 31 March 2022 after which the rate reverts to 20%. The estimated impact of this on food and drink revenue in the current period is £32m (2021 28 weeks £13m, 2021 52 weeks £61m).

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.

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.

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 9 April 2022 £m	28 weeks ended 10 April 2021 £m	52 weeks ended 25 September 2021 £m
Costs directly associated with the Covid-19 pandemic and enforced closure of pubs	a	-	(4)	(3)
Gaming machine settlement	b	-	-	17
Profit on disposal of properties		-	-	1
Reversal of impairment of intercompany receivable	c	-	-	1
Total separately disclosed items recognised within operating costs		-	(4)	16
Movements in the valuation of the property portfolio:				
- Impairment reversal arising from the revaluation of freehold and long leasehold properties	d	-	-	43
- Impairment of short leasehold and unlicensed properties	e	-	-	(1)
- Impairment of freehold and long leasehold tenant's fixtures and fittings	f	-	-	(2)
- Impairment of right-of-use assets	g	-	-	(3)
Net movement in the valuation of the property portfolio		-	-	37
Total separately disclosed items		-	(4)	53

3. SEPARATELY DISCLOSED ITEMS (CONTINUED)

Separately disclosed items in the prior period are as follows.

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. The income of £17m recognised relates to a long-standing claim with HMRC, relating to VAT on gaming machines post 2005 and follows on from an earlier settlement regarding the pre 2005 period. A decision of a First-Tier tribunal during the prior period in relation to the case of the Rank Group plc against HMRC for the post 2005 period, was given in favour of the taxpayers with HMRC subsequently confirming it would not appeal against this decision and would pay valid claims. As a result, the Company resubmitted a claim for the period 2005 to 2012 for VAT on gaming machine income. An estimate of the amount receivable, including interest was therefore included for the year ended 25 September 2021.
c. Reversal of a previous impairment in relation to an intercompany receivable from Mitchells and Butlers plc was concluded.
d. Impairment arising from the Company's revaluation of its freehold and long leasehold pub estate where the carrying values of the properties exceeded their recoverable amount, net of a revaluation surplus that reverses past impairments.
e. Impairment of short leasehold and unlicensed properties where their carrying values exceeded their recoverable amount.
f. Impairment of freehold and long leasehold tenant's fixtures and fittings, where their carrying value exceeded recoverable amount.
g. Impairment of right-of-use assets where their carrying values exceeded their recoverable amount.

4. FINANCE COSTS AND INCOME

	28 weeks ended 9 April 2022 £m	**28 weeks ended 10 April 2021 £m**	**52 weeks ended 25 September 2021 £m**
Finance costs			
Intercompany interest on Term Advances	**(50)**	(54)	(100)
Liquidity facility fees reimbursed to Mitchells & Butlers Finance plc	**(1)**	(1)	(2)
Interest on lease liabilities	**(3)**	(3)	(6)
Total finance costs	**(54)**	(58)	(108)
Finance income			
Interest receivable – external	**-**	-	1

5. TAXATION

Taxation – income statement	28 weeks ended 9 April 2022 £m	28 weeks ended 10 April 2021 £m	52 weeks ended 25 September 2021 £m
Current taxation:			
UK corporation tax	**(2)**	-	-
Amounts over provided in prior periods	**-**	-	4
Group relief received for nil payment	**2**	-	-
	-	-	4
Deferred taxation:			
Origination and reversal of temporary differences	**(5)**	27	1
Adjustments in respect of prior periods	**(1)**	-	(1)
Tax charge in respect of change in UK tax rate	**-**	-	(10)
	(6)	27	(10)
Total tax (charged)/credited in the income statement	**(6)**	27	(6)

Tax has been calculated using an estimated annual effective rate of 14.2% (2021 28 weeks 19.6%) on profit before tax.

Taxation - other comprehensive income	28 weeks ended 9 April 2022 £m	28 weeks ended 10 April 2021 £m	52 weeks ended 25 September 2021 £m
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gains/losses due to revaluations – revaluation reserve	**-**	-	(106)
Unrealised gains/losses due to revaluations – retained earnings	**-**	-	16
Rolled over and held over gains – retained earnings	**-**	-	(16)
	-	-	(106)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	**(18)**	(13)	(5)
Total tax charge recognised in other comprehensive income	**(18)**	(13)	(111)

The Finance Act 2021 increased the main rate of corporation tax from 19% to 25% from 1 April 2023. The effect of this change has been reflected in the closing deferred tax balances at 25 September 2021 and 9 April 2022. This rate was not reflected in the deferred tax balances at 10 April 2021 as the rate increase had not been substantively enacted at the interim balance sheet date.

6. DIVIDENDS

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

7. PROPERTY, PLANT AND EQUIPMENT

Net book value	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
At beginning of period	**3,806**	3,685	3,685
Additions	**39**	8	27
Net increase as a result of the revaluation and impairment review	**-**	-	172
Disposals	**(3)**	(2)	(3)
Depreciation provided during the period	**(38)**	(41)	(75)
At end of period	**3,804**	3,650	3,806

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

Revaluation and impairment

Freehold and long leasehold properties were valued at market value as at 25 September 2021 by CBRE, independent Chartered Surveyors. At 9 April 2022, the Company has performed an assessment for material changes in the value of its freehold and long leasehold properties. As the Company's performance is following the expected post Covid-19 recovery profile and the property multiples adopted at 25 September 2021 are supported by the current property market, there is no requirement to perform a revaluation at the interim date.

Short leasehold properties, unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment provisions. During the current period, in accordance with IAS 36, the Company has performed an assessment for indicators of impairment of these categories of property, plant and equipment, together with the right-of-use assets (see note 12). With the exception of specific trading periods across December 2021 and January 2022, which were impacted by the Omicron variant, performance is in line with the overall Group forecast used in the impairment review at 25 September 2021. In addition, the impact of a change in discount rate is not material. Therefore there are no indicators that lead the Company to conclude further review of impairment is required at the interim date.

As a result of the above review, no revaluation or impairment has been recognised (2021 28 weeks £nil, 2021 52 weeks £172m net revaluation/impairment increase).

Assets in the course of construction

Cost at 9 April 2022 includes £8m (10 April 2021 £2m, 25 September 2021 £4m) of assets in the course of construction.

8. BORROWINGS

	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
Current	**113**	172	110
Non-current	**1,335**	1,448	1,389
Total borrowings	**1,448**	1,620	1,499

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

Interest and margin is payable on the floating rate Term Advances as follows. As described in note 1, with the discontinuation of LIBOR, all facilities and agreements referencing Sterling LIBOR transitioned in the period and now reference SONIA, plus a credit adjustment spread of 11.93 basis points to maintain an economically equivalent position, for periods commencing on or after 1st January 2022.

Tranche	Interest Reference to transition	Interest Reference post transition	Margin
A1N	GBP LIBOR to 31/12/21	* SONIA from 01/01/22	0.46%
A3N	GBP LIBOR to 31/12/21	* SONIA from 01/01/22	0.46%
A4	GBP LIBOR to 31/12/21	* SONIA from 01/01/22	0.59%
AB	GBP LIBOR to 31/12/21	* SONIA from 01/01/22	0.61%
C2	GBP LIBOR to 31/12/21	* SONIA from 01/01/22	1.89%
D1	GBP LIBOR to 31/12/21	* SONIA from 01/01/22	2.14%

* Includes a credit adjustment spread of 11.93 basis points

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:

	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
Principal outstanding at beginning of the period	**1,500**	1,609	1,609
Principal repaid during the period	**(54)**	(29)	(109)
Principal outstanding at end of period	**1,446**	1,580	1,500
Deferred issue costs	**(3)**	(4)	(3)
Accrued interest	**5**	44	2
Carrying value at end of period	**1,448**	1,620	1,499

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

8. 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.

During the prior period, and as a result of the ongoing Covid-19 pandemic, revised arrangements regards the secured financing structure were agreed with the controlling creditor of the securitisation and the securitisation trustee. As a result, a series of amendments and waivers to the securitisation covenants were obtained, as detailed in the Mitchells & Butlers plc Annual Report and Accounts 2021.

At 9 April 2022, the Company had cash and cash equivalents of £87m (10 April 2021 £36m, 25 September 2021 £66m). Of this amount £1m (10 April 2021 £1m, 25 September 2021 £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.

9. FINANCIAL INSTRUMENTS

Derivative Financial Instruments

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

	Total Liabilities		
9 April 2022	**Less than one year £m**	**More than one year £m**	**Total £m**
Cash flow hedges			
Intercompany interest rate swaps	**36**	**100**	**136**

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

	Total Liabilities		
25 September 2021	**Less than one year £m**	**More than one year £m**	**Total £m**
Cash flow hedges			
Intercompany interest rate swaps	37	171	208

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.

10. LEASES

Right-of-use assets

Net book value	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
At start of period	**121**	127	127
Additions	**5**	22	12
Depreciation provided during the period	**(7)**	(8)	(14)
Impairment	**-**	-	(3)
Disposals	**(1)**	-	(1)
At end of period	**118**	141	121

Impairment of right-of-use assets
As described in note 7, the Company has reviewed its short leasehold properties and right-of-use assets for indicators of impairment at the interim date, and determined that there are no indicators that lead the Company to conclude that a further review of impairment is required.

Lease liabilities

An analysis of lease liabilities recognised are as follows:

	9 April 2022 £m	10 April 2021 £m	25 September 2021 £m
Current lease liabilities	**(17)**	(28)	(21)
Non-current lease liabilities	**(131)**	(155)	(139)
	(148)	(183)	(160)

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 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 9 April 2022

	Final Investor Report	IFRS 16 Adjustments	Non-cash separately disclosed items	Government grant presentation	Financial Statements
	£m	£m	£m	£m	£m
Turnover	868.6	(0.5)	-	(3.2)	865
Other income	-	-	-	3.2	3
Operating costs	(774.1)	4.7	-	-	(769)
Operating profit	94.5	4.2	-	-	99
Add back: non-cash separately disclosed items	-	-	-	-	-
Add back: Depreciation and amortisation	37.9	7.4	-	-	45
EBITDA	132.4	11.6	-	-	144

Government grants are detailed in note 2 to the semi-annual financial statements.

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

The IFRS 16 adjustments within operating profit are detailed below:

	£m
Include rent receivable	(0.5)
Include dilapidation costs	0.5
Include rent payable	11.6
EBITDA adjustment	11.6
Remove right-of-use asset depreciation	(7.4)
Operating profit adjustment	4.2