

Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 13 April 2024

Registration Number: 24542

Mitchells & Butlers Retail Limited

Income statement for the 28 weeks ended 13 April 2024

		28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
	Notes			
Revenue	2	1,025	955	1,848
Operating costs		(879)	(854)	(1,633)
Separately disclosed items	3	10	-	(102)
OPERATING PROFIT		156	101	113
Finance income	4	2	2	4
Finance costs	4	(47)	(51)	(95)
PROFIT BEFORE TAXATION		111	52	22
Tax (charge)/credit	5	(14)	(9)	3
PROFIT FOR THE PERIOD		97	43	25

The above results are derived from continuing operations.

Mitchells & Butlers Retail Limited

Statement of comprehensive income/(expense) for the 28 weeks ended 13 April 2024

		28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
	Notes			
PROFIT FOR THE PERIOD		97	43	25
Items that will not be reclassified subsequently to profit or loss:				
Unrealised loss on revaluation of the property portfolio		-	-	(74)
Tax relating to items not reclassified	5	-	-	13
		<u>-</u>	<u>-</u>	<u>(61)</u>
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges:				
-(Losses)/gains arising during the period		(13)	(23)	14
-Reclassification adjustments for items included in profit or loss		(2)	6	7
Tax credit/(charge) relating to items that may be reclassified	5	<u>4</u>	<u>4</u>	<u>(5)</u>
		<u>(11)</u>	<u>(13)</u>	<u>16</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME AFTER TAX		(11)	(13)	(45)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		<u>86</u>	<u>30</u>	<u>(20)</u>

Mitchells & Butlers Retail Limited

(Registration number: 24542)

Balance sheet as at 13 April 2024

	Notes	13 April 2024 £m	8 April 2023 £m	30 September 2023 £m
NON-CURRENT ASSETS				
Property, plant and equipment	7	3,450	3,605	3,446
Right of use assets	10	102	111	105
Investments in subsidiaries		21	21	21
Trade and other receivables		1,631	1,632	1,631
Finance lease receivable		2	2	2
TOTAL NON-CURRENT ASSETS		5,206	5,371	5,205
CURRENT ASSETS				
Inventories		20	20	19
Trade and other receivables		21	18	24
Cash and cash equivalents		90	81	54
TOTAL CURRENT ASSETS		131	119	97
TOTAL ASSETS		5,337	5,490	5,302
CURRENT LIABILITIES				
Trade and other payables		(346)	(369)	(353)
Borrowings	8	(127)	(118)	(123)
Lease liabilities	10	(13)	(14)	(10)
Derivative financial instruments	9	-	(8)	-
Corporation tax liability		(1)		
TOTAL CURRENT LIABILITIES		(487)	(509)	(486)
NET CURRENT LIABILITIES		(356)	(390)	(389)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,850	4,981	4,816
NON-CURRENT LIABILITIES				
Borrowings	8	(1,090)	(1,217)	(1,152)
Lease liabilities	10	(128)	(133)	(135)
Derivative financial instruments	9	(21)	(37)	(7)
Deferred tax liabilities		(330)	(348)	(327)
Provisions		(4)	(5)	(5)
TOTAL NON-CURRENT LIABILITIES		(1,573)	(1,740)	(1,626)
TOTAL LIABILITIES		(2,060)	(2,249)	(2,112)
NET ASSETS		3,277	3,241	3,191
EQUITY				
Share capital		146	146	146
Hedging reserve		(16)	(34)	(5)
Revaluation reserve		823	879	823
Profit and loss account		2,324	2,250	2,227
TOTAL EQUITY		3,277	3,241	3,191

Mitchells & Butlers Retail Limited
Statement of Changes in Equity for the 28 weeks ended 13 April 2024

	Share capital £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 24 September 2022	146	879	(21)	2,207	3,211
Profit for the period	-	-	-	43	43
Other comprehensive (expense)	-	-	(13)	-	(13)
Total comprehensive (expense)/income	-	-	(13)	43	30
At 8 April 2023	146	879	(34)	2,250	3,241
Loss for the period	-	-	-	(18)	(18)
Other comprehensive (expense)/income	-	(56)	29	(5)	(32)
Total comprehensive (expense)/income	-	(56)	29	(23)	(50)
At 30 September 2023	146	823	(5)	2,227	3,191
Profit for the period	-	-	-	97	97
Other comprehensive expense	-	-	(11)	-	(11)
Total comprehensive (expense)/income	-	-	(11)	97	86
At 13 April 2024	146	823	(16)	2,324	3,227

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

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 53 weeks ended 30 September 2023 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.

The periods ended 13 April 2024 and 8 April 2023 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 semi-annual financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company's ability to operate as a going concern and discharge its liabilities as they fall due is fundamentally linked to that of the Group (Mitchells and Butlers plc and its subsidiaries). The Mitchells & Butlers plc Group financial statements have adopted the going concern basis in their preparation with the following wording included in the Group accounts:

The Group Directors have adopted the going concern basis in preparing these financial statements after assessing the impact of identified principal risks and their possible adverse impact on financial performance, specifically revenue and cashflows throughout the going concern period, being 12 months from the date of signing of these financial statements.

The Group has two main sources of funding. Namely, a secured debt financing structure and a £200m unsecured revolving credit facility due to expire in July 2026.

Within the secured debt financing structure there are two main covenants: the level of net worth (being the net asset value of the securitisation group) and FCF to DSCR. As at 13 April 2024 there was substantial headroom on the net worth covenant. FCF to DSCR represents the multiple of Free Cash Flow (being EBITDA less tax and required capital maintenance expenditure) generated by sites within the structure to the cost of debt service (being the repayment of principal, net interest charges and associated fees). This is tested quarterly on both a trailing two quarter and a four quarter basis with a minimum level of 1.1 times.

The unsecured facility includes financial covenants relating to the ratio of EBITDAR to rent plus interest (at a minimum of 1.25 times) and Net debt to EBITDA (to be no more than 3.0 times) based on the performance of the unsecured estate, tested at each Half Year and Full Year date. Unsecured facilities expire in July 2026, beyond the going concern assessment period.

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

1. BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

In the year ahead the main uncertainties are considered to be the maintenance of growth in sales and the rate of overall cost inflation. Despite recent reductions in cost inflation (particularly utilities, which have experienced deflation) the outlook for both of these remains uncertain and will depend on a number of factors including consumer spending power and confidence, global political developments and supply chain disruptions and government policy.

The Group Directors have reviewed the financing arrangements against a forward trading forecast in which they have considered the Group's current financial position. This forecast assumes further growth in sales and that cost inflation remains moderated at close to current levels. Under this scenario the Group is able to stay within all committed facility financial covenants, with good levels of headroom, and maintains sufficient liquidity throughout.

The Group Directors have also considered a severe but plausible downside scenario covering adverse movements against the base forward forecast in both sales and cost inflation in which some, but limited, mitigation activity is taken. In this downside scenario the Group also retains sufficient liquidity throughout the period, and no covenants are breached with reasonable headroom maintained throughout the review period.

After due consideration of these factors, the Group Directors believe that they have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the 12 months from the date of approval of these condensed financial statements, and therefore continue to adopt the going concern assumption in their preparation.

As a result, the Company Directors believe that it remains appropriate to prepare these financial statements on a going concern basis.

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

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 2023.

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

2. REVENUE AND OPERATING PROFIT

Revenue

	28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
Food	526	486	934
Drink	462	435	846
Services	37	34	68
Total revenue	<u>1,025</u>	<u>955</u>	<u>1,848</u>

Operating profit

	28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
EBITDA	190	146	299
Depreciation and amortisation	(44)	(45)	(84)
Separately disclosed items	10	-	(102)
Operating profit	<u>156</u>	<u>101</u>	<u>113</u>

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

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 profit on disposal of properties, movements in the valuation of the property portfolio as a result of the revaluation exercise of property, plant and equipment, impairment review of short leasehold and unlicensed properties, impairment review of right-of-use assets and impairment of amounts owed by group undertakings.

The items identified are as follows:

		28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
	Note			
Profit on disposal of properties	a	10		2
Impairment of intercompany receivable	b	-	-	(2)
Total separately disclosed items recognised within operating costs		10	-	-
Movements in the valuation of the property portfolio:				
- Impairment arising from the revaluation of freehold and long leasehold properties	c	-	-	(95)
- Impairment of short leasehold and unlicensed properties	d	-	-	(2)
- Impairment of right-of-use assets	e	-	-	(5)
Net movement in the valuation of the property portfolio		-	-	(102)
Total separately disclosed items		10	-	(102)

Separately disclosed items are as follows:

- Profit arising in the current period on disposal of 12 properties to fellow Group subsidiary Mitchells & Butlers Retail (No.2) Ltd
- Impairment in relation to an intercompany receivable from Mitchells and Butlers plc.
- 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.
- Impairment of short leasehold and unlicensed properties where their carrying values exceeded their recoverable amount.
- Impairment of right-of-use assets where their carrying values exceeded their recoverable amount.

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

4. FINANCE COSTS AND INCOME

	28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
Finance costs			
Intercompany interest on Term Advances	(43)	(47)	(87)
Liquidity facility fees reimbursed to Mitchells & Butlers	(1)	(1)	(2)
Finance plc	(3)	(3)	(6)
Interest on lease liabilities	(47)	(51)	(95)
Finance income			
Interest receivable – external	2	2	4

5. TAXATION

	28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
Taxation – income statement			
Current taxation:			
UK corporation tax	(18)	(4)	(11)
Amounts (under)/over provided in prior periods	-	(3)	-
Group relief received for nil payment	11	4	3
	(7)	(3)	(8)
Deferred taxation:			
Origination and reversal of temporary differences	(7)	(6)	11
Adjustments in respect of prior periods	-	-	(2)
Tax credit in respect of change in UK tax rate	-	-	2
	(7)	(6)	11
Total tax (charged)/credited in the income statement	(14)	(9)	3

Tax has been calculated using an estimated annual effective rate of 12.3% (2023 28 weeks 17.4%) on profit before tax. The effective rate of tax in the period is lower than the statutory rate due to losses claimed from other Group companies for nil payment and non-taxable profits on disposal of properties to another Group company.

	28 weeks ended 13 April 2024 £m	28 weeks ended 8 April 2023 £m	53 weeks ended 30 September 2023 £m
Taxation - other comprehensive income			
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
Unrealised losses due to revaluations – revaluation reserve	-	-	18
Unrealised losses due to revaluations – retained earnings	-	-	(5)
	-	-	13
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	4	4	(5)
Total tax credit/(charge) recognised in other comprehensive income	4	4	8

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 13 April 2024, 30 September 2023, and 8 April 2023.

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

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 (2023 28 weeks £nil, 53 weeks £nil).

7. PROPERTY, PLANT AND EQUIPMENT

	13 April 2024 £m	8 April 2023 £m	30 September 2023 £m
Net book value			
At beginning of period	3,446	3,577	3,577
Additions	53	66	112
Net decrease from the property revaluation	-	-	(169)
Impairment of short leasehold properties	-	-	(2)
Disposals	(11)	-	(1)
Depreciation provided during the period	(38)	(38)	(71)
At end of period	3,450	3,605	3,446

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

The freehold and long leasehold licensed properties were valued at market value as at 30 September 2023, using information provided by CBRE, independent Chartered Surveyors, as part of the Group revaluation exercise. This valuation was based on an assessment of the individual asset fair maintainable operating profit (FMOP) and property multiples. The Group has performed an assessment for material changes that would impact the value of its freehold and long leasehold properties at the interim date. The Group's performance is in line with forecast supporting the fair maintainable operating profit (FMOP) assessed at 30 September 2023 and the property multiples adopted at 30 September 2023 are supported by the current property market. As such 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 Group has performed an assessment for indicators of impairment of these categories of property, plant and equipment, together with right-of-use assets (note 10). This review included an assessment of current year performance against the overall Group forecast used in the impairment review at 30 September 2023, and long term growth rates and capital maintenance assumptions both of which are unchanged from the year end. In addition, our sensitivity analysis at FY23 year end showed that the impairment charge was insensitive to likely movements in the WACC of 11%. As such, there are not considered to be any indicators of impairment that would require the Company to perform a further review of impairment.

As a result of the above review, no revaluation or impairment has been recognised in the period (2023 28 weeks £nil, 2023 53 weeks £169m revaluation decrease and £2m short leasehold impairment).

Assets in the course of construction

Cost at 13 April 2024 includes £8m (8 April 2023 £10m, 30 September 2023 £6m) of assets in the course of construction.

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

8. BORROWINGS

	13 April 2024 £m	8 April 2023 £m	30 September 2023 £m
Current	127	118	123
Non-current	1,090	1,217	1,152
Total borrowings	<u>1,217</u>	<u>1,335</u>	<u>1,275</u>

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:

Tranche	Interest	Margin
A1N	3 month SONIA	0.58%*
A3N	3 month SONIA	0.58%*
A4	3 month SONIA	0.70%*
AB	3 month SONIA	0.73%*
C2	3 month SONIA	2.00%*
D1	3 month SONIA	2.25%*

* Includes a credit adjustment spread of 11.93 basis points

The Class B1 Term Advance was fully repaid during the period in accordance with the amortisation profile of the Advance.

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 2024 £m	8 April 2023 £m	30 September 2023 £m
Principal outstanding at beginning of the period	1,274	1,390	1,390
Principal repaid during the period	(61)	(57)	(116)
Principal outstanding at end of period	<u>1,213</u>	<u>1,333</u>	<u>1,274</u>
Deferred issue costs	(2)	(3)	(2)
Accrued interest	6	5	3
Carrying value at end of period	<u>1,217</u>	<u>1,335</u>	<u>1,275</u>

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

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

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. There are two main financial covenants, being the level of net assets and free cash flow (FCF) to debt service. FCF to debt service represents the multiple of cash generated by sites within the structure to the cost of debt service. This is tested quarterly on both a trailing two quarter and a four quarter basis. There are additional 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 2024, the Company had cash and cash equivalents of £90m (8 April 2023 £81m, 30 September 2023 £54m). Of this amount £1m (8 April 2023 £1m, 30 September 2023 £4m), 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		Total £m
	Less than one year £m	More than one year £m	
13 April 2024			
Cash flow hedges			
Intercompany interest rate swaps	-	21	21
	Total Liabilities		Total £m
	Less than one year £m	More than one year £m	
8 April 2023			
Cash flow hedges			
Intercompany interest rate swaps	8	37	45
	Total Liabilities		Total £m
	Less than one year £m	More than one year £m	
30 September 2023			
Cash flow hedges			
Intercompany interest rate swaps	-	7	7

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.

Mitchells & Butlers Retail Limited

Notes to the semi-annual financial statements for the 28 weeks ended 13 April 2024 (continued)

10. LEASES

Right-of-use assets

	13 April 2024 £m	8 April 2023 £m	30 September 2023 £m
Net book value			
At start of period	105	107	107
Additions	3	12	18
Depreciation provided during the period	(6)	(7)	(13)
Impairment	-	-	(5)
Disposals	-	(1)	(2)
At end of period	102	111	105

Impairment of right-of-use assets

As described in note 7, the Group 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 Group to conclude that a further review of impairment is required.

Lease liabilities

An analysis of lease liabilities recognised are as follows:

	13 April 2024 £m	8 April 2023 £m	30 September 2023 £m
Current lease liabilities	(13)	(14)	(10)
Non-current lease liabilities	(128)	(133)	(135)
	(141)	(147)	(145)

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 13 April 2024

	Final Investor Report £m	IFRS 16 Adjustments £m	Non-cash separately disclosed items £m	Financial Statements £m
Turnover	1,024.7	(0.2)	-	1,025
Other income	-	-	-	-
Operating costs	<u>(883.0)</u>	<u>4.4</u>	<u>10.1</u>	<u>(869)</u>
Operating profit	141.7	4.2	10.1	156
Add back: non-cash separately disclosed items	-	-	(10.1)	(10)
Add back: Depreciation and amortisation	<u>37.5</u>	<u>6.3</u>	<u>-</u>	<u>44</u>
EBITDA	179.2	10.5	-	190

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
Rent receivable	(0.2)
Dilapidation costs	0.2
Rent payable	10.6
Finance lease receivable impairment	<u>(0.1)</u>
EBITDA adjustment	10.5
Right-of-use asset depreciation	<u>(6.3)</u>
Operating profit adjustment	4.2