Mitchells & Butlers Retail Limited

Report and Financial Statements

For the 53 weeks ended 29 September 2012

Registered Number: 24542

DIRECTORS' REPORT
For the 53 weeks ended 29 September 2012

The Directors present their report on the affairs of the Company, together with the financial statements and independent auditor's report, for the 53 weeks ended 29 September 2012. The comparative period is for the 52 weeks ended 24 September 2011.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW, RESULTS AND DIVIDENDS

The Company is a UK operator of managed pubs and restaurants with an estate of 1,428 outlets at 29 September 2012 (2011 1,431).

Turnover for the period was £1,631m (2011 £1,533m) with profit for the period before taxation of £84m (2011 £75m). Taxation charged against the profit for the period was £19m (2011 £7m) leaving a profit after tax of £65m (2011 £68m). At the balance sheet date the Company recorded net assets of £2,872m (2011 £2,873m). Dividends of £84m (2011 £59m) were declared and paid during the period. No dividends were proposed at the period end (2011 £nil).

KEY PERFORMANCE INDICATORS

The Company is the principal trading division of the Mitchells & Butlers plc Group and the performance of the Company is monitored as part of the wider Group, using similar key performance indicators. These are discussed in the Annual Report and Accounts 2012 of Mitchells & Butlers plc and include same outlet like-for-like sales growth, profit before tax and incremental return on expansionary capital.

Further explanation of the reasons for the movements can be found in the Annual Report and Accounts 2012 of Mitchells & Butlers plc.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's Directors consider the risks for the Company to be largely the same as the risks of the Group that are discussed in the Annual Report and Accounts 2012 of Mitchells & Butlers plc. These include, but are not restricted to the following:

Market risks

Pricing and market changes

External influences, such as changes in the general economic climate or competitor activity, could have a detrimental effect on customers' spending patterns and therefore the Company's revenue, profitability and consequently the value of its assets.

Mitchells & Butlers' business is focused on the long-term potential of the eating-out market. The Company owns sites across the UK with a wide spectrum of customer offers targeted at different consumer groups and leisure occasions. This range allows the Company to respond to changes in consumer expenditure either by flexing our offerings or by substituting a different brand at a particular location. This activity is supported by dedicated Pricing and Revenue Management and Asset Planning teams which analyse and evaluate a range of information including that in respect of competitors.

Consumer taste and brand management

Social and demographic changes are driving the long-term growth in eating-out while at the same time leading to a steady decline in the sales of on-trade drinks without food. These changes, together with other developments in consumer taste may reduce the appeal of Mitchells & Butlers' brands to its customers, especially if the Company fails to anticipate and identify these changes and respond to them adequately and promptly.

On a regular basis, a brand strategy team meets involving marketers, operators and finance as part of a structured programme to improve continuously existing brands and to develop new customer offers. This process is co-ordinated with the capital expenditure programme to ensure that investment is taking place in support of customers' changing needs.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Company uses an online guest satisfaction survey to collect customer feedback. This feedback together with the results of research studies is monitored and evaluated by a dedicated customer insight team to ensure that the relevance to their customers of the Company's brands is maintained.

Operational risks

Cost of goods price increases

Increases in the price of goods for resale as a result of increases in global demand and uncertainty of supply in producing nations can have a significant impact on the cost base consequently impacting margins.

Mitchells & Butlers leverages its scale to drive competitive cost advantage and collaborates with suppliers to increase efficiencies in the supply chain. The fragmented nature of the food supply industry on the world commodity markets gives the Company the opportunity to source products from a number of alternative suppliers in order to drive down cost. The Company continually evolves the composition of menus and retail prices in order to optimise value to the customer as well as profits for the Company.

Property strategy and acquisition targets

Mitchells & Butlers' strategy is to increase its number of restaurants to drive further scale advantage and provide strong incremental returns. However, it may not be possible to identify and acquire suitable sites on acceptable terms and investments may not perform as anticipated.

The Company's dedicated acquisitions and asset planning team employs a rigorous project appraisal process in respect of investments, using external advisers where necessary. Post-investment performance of acquired or converted sites investments is monitored in detail.

People planning and development

Mitchells & Butlers' business has a strong customer focus, and as such it is important that it is able to attract, retain, develop and motivate the best people with the right capabilities throughout the organisation.

Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process is used to provide structured succession planning. A long-term incentive plan is in place to align management and shareholder interests.

The Company also makes significant investment in training to ensure that its people have the right skills to perform their jobs successfully. Furthermore an employee survey is conducted bi-annually to establish employee satisfaction and engagement and compare it with other companies as well as previous surveys. Where appropriate, changes in working practices are made in response to the findings of these surveys.

Energy price increases

Mitchells & Butlers is a large commercial user of gas and electricity. There is a risk that costs increase because of global increases in demand and uncertainty of supply in energy producing nations.

The energy procurement strategy seeks to reduce the risk of cost increases and uncertainty over energy prices by a rolling programme of short and medium-term purchases against forecast requirements.

A dedicated energy management team is responsible for optimising energy usage across the organisation by promoting energy efficient working practices via training and educational programmes and by the installation of energy efficient equipment.

DIRECTORS' REPORT
For the 53 weeks ended 29 September 2012

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Business continuity and crisis management

Mitchells & Butlers relies on its food and drink supply chain and the key IT systems underlying the business to serve its customers efficiently and effectively. Supply chain interruption, IT system failure or crises such as terrorist activity or the threat of disease pandemic might restrict sales or reduce operational effectiveness.

The Company has in place crisis and continuity plans that are tested and refreshed regularly.

Financial risks

If there were a material change in the economic climate or other significant financial impact there is a risk that the Company might not be able to fulfil the terms of its financial obligations. The Company can mitigate this risk if necessary by reducing its cash costs on maintenance or expansionary capital expenditure, to the minimum levels permitted under its debt covenants.

Regulatory risks

Failure to operate safely and legally

A major health and safety failure could lead to illness, injury or loss of life or significant damage to the Company's or a brand's reputation.

Mitchells & Butlers maintains a robust programme of health and safety checks both within its restaurants and pubs and throughout the supply chain. The dedicated Safety Assurance team uses a number of technical partners including food technologists, microbiologists and allergy specialists to ensure that our food procedures are safe. Regular independent audits of trading sites are performed to ensure that procedures are followed and that appropriate standards are maintained. Food suppliers are required to meet the British Retail Consortium Global Standard for Food Safety and are subject to regular safety and quality audits. Comprehensive health and safety training programmes are in place.

SECURITISATION

Since November 2003, the Company has operated within the Mitchells & Butlers securitisation structure. Under this securitisation structure, the Company has borrowed £2,184m (2011 £2,235m) after amortisation, from Mitchells & Butlers Finance plc under an Issuer/Borrower Facility Agreement dated 13 November 2003, amended and restated on 15 September 2006. The borrowings (Term Advances) are secured on the Company's assets and future income streams there from. Mitchells & Butlers Finance plc is a fellow subsidiary within the Group and the issuer of secured loan notes to third party investors for the same amount.

The securitisation is governed by various covenants, warranties and events of default, including requirements to maintain free cash flow and net worth ratios. In addition, the Company has to satisfy certain conditions before it can pay dividends. Further details are provided in note 14 to the financial statements.

In connection with the securitisation and under an Intra Group Supply Agreement dated 6 November 2003, Mitchells & Butlers Leisure Retail Limited (MAB Leisure Retail) has, since this date, procured the supply and distribution of the majority of goods, including food, beer, spirits and other drinks, for the Company. Under a Management Services Agreement dated 6 November 2003, MAB Leisure Retail has also, since this date, provided the Company with central management and administration services.

The Company pays a fee for the management and administration services provided. MAB Leisure Retail, a management and service company, is a fellow subsidiary within the Group.

DIRECTORS' REPORT
For the 53 weeks ended 29 September 2012

FUTURE DEVELOPMENT

Mitchells & Butlers has developed its business strategy to focus on the growth parts of the eating and drinking-out market. The strategy to achieve this goal has five elements:

- Focusing the business on the growth in the eating-out market;
- Developing national brands with high customer affinity and relevance;
- Generating high returns on investment through scale advantage;
- Extending the skill base of operational excellence and consumer focus; and
- Continuing the sound financial base with a flexible approach to property ownership.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors of Mitchells & Butlers plc, the ultimate parent undertaking have stated that they will continue to make funds available to the Company to enable it to meet its debts as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of the balance sheet.

DIRECTORS

The following served as Directors of the Company during the period and subsequently:

A Coldrick	(resigned 15 November 2011)
S K Martindale	
A M Martin	(resigned 15 November 2011)
L J Miles	
R Moxham	(resigned 15 November 2011)
S Singh	(resigned 12 November 2012)
K Todd	(resigned 15 February 2012)
R M Young	
A Vaughan	
D Evans	(appointed 21 November 2012)

SUPPLIER PAYMENT POLICY

Since 6 November 2003, Mitchells & Butlers Leisure Retail Limited has procured the supply and distribution of the majority of goods, including food, beer, spirits and other drinks, for the Company. As a consequence, the Company has not carried a material level of trade creditors since this date. Mitchells & Butlers Leisure Retail Limited agrees payment terms with all of its main suppliers and abides by these terms subject to satisfactory performance by the supplier.

DISABLED EMPLOYEES AND CUSTOMERS

The Company is committed to providing equal opportunities to all employees and equality of service provision to all disabled customers without discrimination and is supportive of the employment and advancement of disabled or disadvantaged persons and of those employees who may become disabled.

EMPLOYEE CONSULTATION

The Company places considerable emphasis on employee communication, particularly on matters relating to the Company's business and its performance. Communication channels include regular team meetings, informal briefings, in-house publications and the intranet. Regular feedback is obtained through employee focus groups and employee opinion surveys, the results of which are used in developing management policies and best practice.

Employees can participate in the success of the business through the Group's employee share schemes.

DIRECTORS' REPORT
For the 53 weeks ended 29 September 2012

HEALTH & SAFETY

The Company strives to provide and maintain a safe environment for all employees, customers and other visitors to its premises and to comply with relevant health and safety legislation.

CHARITABLE DONATIONS

The Company's charitable donations in the financial period were £nil (2011 £nil). Charitable donations made by the Mitchells & Butlers plc Group are disclosed in the Mitchells & Butlers plc Annual Report and Accounts 2012. The Company makes donations in kind, such as offering its facilities for use pro bono, or by giving free meals in Company premises and every year its pub managers and staff raise significant funds for charitable causes.

AUDITOR

The Directors who held office as at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and that each Director has taken all the steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP will be put to the forthcoming Annual General Meeting.

By order of the Board

A Vaughan
Director
26 November 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELLS & BUTLERS RETAIL LIMITED

We have audited the financial statements of Mitchells & Butlers Retail Limited for the 53 weeks ended 29 September 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Profits and Losses, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 September 2012 and of its profit for the 53 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stephen Griggs (Senior statutory auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
26 November 2012

PROFIT AND LOSS ACCOUNT
For the 53 weeks ended 29 September 2012

	Notes	*53 weeks ended 29 September 2012 £m*	*52 weeks ended 24 September 2011 £m*
TURNOVER	2	**1,631**	1,533
Operating costs*	3	**(1,413)**	(1,317)
OPERATING PROFIT		**218**	216
NON-OPERATING EXCEPTIONAL ITEMS			
Loss on disposal of fixed assets		**-**	(9)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		**218**	207
Interest receivable and similar income		**1**	1
Interest payable and similar charges	5	**(135)**	(133)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**84**	75
Tax on profit on ordinary activities	6	**(19)**	(7)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17	**65**	68

* 2012 includes an exceptional impairment charge in respect of tangible fixed assets of £55m (2011 £47m).

The notes on pages 11 to 25 form an integral part of these financial statements.

All turnover and costs are derived from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the 53 weeks ended 29 September 2012

	53 weeks ended 29 September 2012 £m	*52 weeks ended 24 September 2011 £m*
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**65**	68
Unrealised gain on revaluation of the property portfolio	**18**	61
TOTAL RECOGNISED GAINS	**83**	129

STATEMENT OF HISTORICAL COST PROFITS AND LOSSES
For the 53 weeks ended 29 September 2012

	53 weeks ended 29 September 2012 £m	*52 weeks ended 24 September 2011 £m*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**84**	75
Realisation of property revaluation surplus on sale of properties	**-**	133
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**84**	208
HISTORICAL COST PROFIT RETAINED AFTER TAXATION	**65**	201

The notes on pages 11 to 25 form an integral part of these financial statements.

BALANCE SHEET
At 29 September 2012

	Notes	*29 September 2012 £m*	*24 September 2011 £m*
FIXED ASSETS			
Tangible assets	8	**3,541**	3,594
Investments	9	**21**	21
		3,562	3,615
CURRENT ASSETS			
Stocks	10	**18**	19
Debtors: amounts falling due within one year	11	**1,655**	1,652
Other cash deposits		**-**	20
Cash at bank and in hand		**133**	115
		1,806	1,806
CREDITORS: amounts falling due within one year	12	**(297)**	(288)
NET CURRENT ASSETS		**1,509**	1,518
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,071**	5,133
CREDITORS: amounts falling due after more than one year	13	**(2,136)**	(2,189)
PROVISIONS FOR LIABILITIES AND CHARGES	15	**(63)**	(71)
NET ASSETS		**2,872**	2,873
CAPITAL AND RESERVES			
Share capital	16, 17	**4**	4
Share premium account	17	**1,561**	1,561
Revaluation reserve	17	**1,126**	1,108
Profit and loss account	17	**181**	200
SHAREHOLDERS' FUNDS		**2,872**	2,873

The notes on pages 11 to 25 form an integral part of these financial statements.

Signed on behalf of the Board

A Vaughan
Director
26 November 2012

1. ACCOUNTING POLICIES

A summary of the principal accounting policies applied by the Company is set out below.

Basis of accounting
The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets. They comply with applicable accounting standards in the United Kingdom.

Accounting reference date
The Company's accounting reference date is 30 September. The Company has drawn up its financial statements for the 53 weeks to 29 September 2012, the Saturday directly preceding the accounting reference date, as permitted by section 390(3) of the Companies Act 2006. The comparative period is for the 52 weeks ended 24 September 2011.

Consolidation
The financial statements contain information about the individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt from preparing group accounts under S400 of Companies Act 2006 since the Company is a wholly owned subsidiary undertaking of another UK company. Group accounts are prepared by the ultimate parent company.

Going concern
The financial statements have been prepared on a going concern basis. The Directors of Mitchells & Butlers plc, the ultimate parent undertaking, have stated that they will continue to make funds available to the Company to enable it to meet its debts as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of the balance sheet.

Cash flow
As permitted under FRS1 (Revised 1996) Cash Flow Statements, the Company has taken advantage of the exemption from preparing a cash flow statement as the Company is a wholly owned subsidiary undertaking of Mitchells & Butlers plc whose financial statements for the 53 weeks ended 29 September 2012 include a consolidated cash flow statement incorporating the cash flows of the Company.

Fixed asset investments
Fixed asset investments are stated at cost less any provision for impairment.

Fixed assets and depreciation
The Company revalues the majority of its freehold and long leasehold licensed properties to fair value for accounting purposes, which it reviews at least annually.

Short leasehold properties (properties with an unexpired term of 50 years or less), unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment.

The Company's policy is to account for land held under both long and short leasehold contracts as operating leases, since it has no expectation that title will pass on expiry of the lease contracts.

Any revaluation surplus is credited to the revaluation reserve in the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account, in which case, the increase is recognised in the profit and loss account, less the depreciation that would have been charged had the revaluation decrease not been recognised in the profit and loss account.

A revaluation deficit is recognised in the profit and loss account where it is caused by a clear consumption of economic benefits. Other revaluation deficits are recognised in the statement of total recognised gains and losses until the carrying amount reaches its depreciated historical cost. Thereafter it is recognised in the profit and loss account.

1. ACCOUNTING POLICIES (CONTINUED)

Fixed assets and depreciation (continued)
Surpluses or deficits arising from previous professional valuations of properties, realised on the disposal of an asset, are transferred from the revaluation reserve to the profit and loss account reserve.

Leasehold properties are depreciated over the unexpired term of the lease when less than 50 years.

The cost of plant, machinery, fixtures, fittings and equipment is spread, on a straight line basis, over the estimated useful lives of the relevant assets of between 3 and 20 years.

Leases
Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Stocks
Stocks are stated at the lower of cost and net realisable value.

Pensions
Mitchells & Butlers plc, the sponsoring employer, accounts for pensions in accordance with FRS 17 Retirement Benefits. Since there is no contractual agreement or policy in place to allocate the defined benefit plan across the subsidiaries that each employ members of these plans, which include the Company, the net defined benefit cost is recognised by Mitchells & Butlers plc. Accordingly, the Company's profit and loss account charge in respect of its defined benefit arrangements is equal to its contributions payable to Mitchells & Butlers plc for the cost of providing pension benefits to the Company for the period.

The deficit in the Mitchells & Butlers plc pension plans, as measured on an FRS 17 basis, is recorded in the financial statements of Mitchells & Butlers plc, the sponsoring employer of the Mitchells & Butlers pension plans.

The Company's profit and loss account charge in respect of its defined contribution arrangements is equal to the contributions payable for the period.

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Those timing differences recognised include accelerated capital allowances and short term timing differences.

Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the assets and the gain on sale of assets to the extent that it is more likely than not that they will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Group tax relief
It is the policy of the Mitchells & Butlers plc Group for no payment to be made for group tax relief received.

1. ACCOUNTING POLICIES (CONTINUED)

Turnover
Turnover represents sales (excluding VAT and similar taxes, coupons and staff discounts) of goods and services provided in the normal course of business.

Turnover primarily comprises food and beverage sales which are normally recognised and settled at the point of sale to the customer.

Borrowings and derivative financial instruments
Borrowings are stated initially at the amount of the funds raised, net of any facility fees paid. Finance costs, which are the difference between the net proceeds and the total amount of payments to be made in respect of the borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount.

The amount is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the borrowings in that period.

Amounts payable and receivable in respect of derivative financial instruments that hedge the interest rate exposures attached to the borrowings are accounted for on an accruals basis and treated as part of the finance cost.

Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results can differ from those estimates. Estimates are used when accounting for items such as depreciation, asset impairments, pensions and tax.

2. TURNOVER ANALYSIS

Mitchells & Butlers Retail Limited is a wholly owned subsidiary of Mitchells & Butlers plc, with its operations falling under a single class of business and all residing within the UK. As such the Company is not required to complete separate disclosure notes under SSAP 25 and opts to disclose only a single business segment.

3. OPERATING COSTS

	53 weeks ended 29 September 2012 £m	*52 weeks ended 24 September 2011 £m*
The following amounts are included within operating costs:		
Hire of plant and machinery	**13**	18
Other operating lease rentals	**26**	23
Movements in the valuation of the property portfolio (note 8)*	**55**	3
Impairment on assets transferred from fellow group company	**-**	44
Depreciation of tangible fixed assets (note 8)	**94**	92

* In the current period £55m (2011 £3m) of movement in the valuation of the property portfolio comprises £8m (2011 £9m) of impairment recognised on short leasehold and unlicensed properties where their carrying values exceed their recoverable amount and £47m charge (2011 £6m credit) arising from the Company's revaluation of its pub estate.

Fees paid to Deloitte LLP for the audit of the Company's accounts were £0.15m (2011 £0.15m). Fees paid to Deloitte LLP and their associates for non-audit services are not disclosed for the Company since the Annual Report and Accounts 2012 of Mitchells & Butlers plc, the ultimate parent of Mitchells & Butlers Retail Limited discloses such fees on a consolidated basis.

4. EMPLOYEES AND DIRECTORS

	53 weeks ended 29 September 2012 £m	*52 weeks ended 24 September 2011 £m*
Employee costs during the period amounted to:		
Wages and salaries	**371**	343
Share-based payments	**2**	1
Social security costs	**24**	22
Pensions	**2**	3
	399	369

Average number of employees
The average number of persons employed by the Company during the period, including part time employees, was:

	53 weeks ended 29 September 2012	*52 weeks ended 24 September 2011*
Pub	**34,219**	34,007

Pensions

Retirement and death benefits are provided for eligible employees in the United Kingdom principally by the Mitchells & Butlers Pension Plan (MABPP) and the Mitchells & Butlers Executive Pension Plan (MABEPP). These plans are funded, HMRC approved, occupational pension schemes with defined contribution and defined benefit sections. The defined benefit sections of the plans closed to new entrants during 2002 with new members provided with defined contribution arrangements. On 13 March 2011 the defined benefit plan was closed to future accrual. At the same time Mitchells & Butlers plc implemented a revised defined contribution benefit structure. The defined benefit liability relates to these funded plans, together with an unfunded unapproved pension arrangement (the Executive Top-Up Scheme, or MABETUS) in respect of certain MABEPP members. The assets of the plans are held in self-administered trust funds separate from the Company's assets.

Defined contribution scheme
The Company's profit and loss account charge in respect of its defined contribution arrangements is equal to the contributions payable for the period.

In the 53 weeks ended 29 September 2012, the Mitchells & Butlers plc Group paid £5m (2011 £4m) in respect of the defined contribution arrangements. The pension charge in respect of the defined contribution arrangements included in the profit and loss account of the Company for the 53 weeks ended 29 September 2012 was £2m (2011 £2m).

Defined benefit scheme

Measurement of assets and liabilities – FRS 17
Mitchells & Butlers plc has accounted for pensions in accordance with FRS 17 Retirement Benefits. As explained in note 1 to the financial statements, the Company accounts for defined benefit pension costs by recognising a profit and loss account charge equal to the contributions payable, being a recharge from Mitchells & Butlers plc for the cost of providing pension benefits to the Company for the period. No recharge in respect of the defined benefit scheme is recorded in the current financial period following the closure of the scheme to future accrual on 13 March 2011.

4. EMPLOYEES AND DIRECTORS (CONTINUED)

Defined benefit scheme (continued)

Measurement of assets and liabilities – FRS 17 (continued)
The valuations used by Mitchells & Butlers plc for FRS 17 purposes are based on the results of the latest full actuarial valuation carried out at 31 March 2010 and updated by the schemes' qualified actuaries to 29 September 2012. Scheme assets are stated at market value at 29 September 2012 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. The FRS 17 deficit calculated on this basis is £88m (2011 £37m). Full disclosure of assumptions and the valuation is provided in the Mitchells & Butlers plc Annual Report and Accounts 2012.

Funding valuation and future funding obligations
The results of the 2010 actuarial valuation showed a funding deficit of £400m, using a more prudent basis to discount the scheme liabilities than is required by FRS 17 and on 21 July 2010 the Company formally agreed a 10 year recovery plan with the Trustees to close the funding deficit in respect of its pension scheme liabilities. The result of this was that the Group agreed to increase additional contributions from £24m to £40m per annum, commencing from 1 April 2010, in each of the financial years to 2019 and £20m in the financial year 2020. This agreement is subject to review at the next full actuarial valuation in 2013.

Directors' remuneration

The nine Directors who served during the period, were all employed by another group company (Mitchells & Butlers Leisure Retail Limited) and are also Directors of other subsidiary companies of the Mitchells & Butlers plc Group. The Directors received total remuneration of £1.4m (2011 £3.3m) in respect of their services to the Group, but it is not practicable to allocate this between each of the subsidiary companies for which they act as a Director. At the period end five (2011 all) of the Directors were members of the Group's defined contribution scheme, with two (2011 six) Directors also holding accrued service within the Group's defined benefit scheme.

The highest paid Director received emoluments of £0.3m (2011 £0.3m), with Company contributions to defined contribution pension schemes of £nil (2011 £0.1m). The highest paid Director did not exercise any share options in the period.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	53 weeks ended 29 September 2012 £m	*52 weeks ended 24 September 2011 £m*
Loans payable to Mitchells & Butlers Finance plc	**134**	133
Other interest	**1**	-
	135	133

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax charge	*53 weeks ended 29 September 2012 £m*	*52 weeks ended 24 September 2011 £m*
Current tax		
UK corporation tax	**32**	29
Group relief received for no consideration	**(5)**	(6)
Adjustments in respect of prior periods	**1**	(3)
Total current tax	**28**	20
Deferred tax		
Origination and reversal of timing differences	**(4)**	(10)
Adjustments in respect of prior periods	**-**	2
Change in tax rate	**(5)**	(5)
Total deferred tax (note 15)	**(9)**	(13)
Total tax on profit on ordinary activities	**19**	7
Further analysed as tax relating to:		
Operating profit before exceptional items	**31**	25
Exceptional items – current and deferred tax	**(12)**	(18)
	19	7

Tax Reconciliation	*%*	*%*
Standard UK corporation tax rate	**25**	27
Permanent differences	**(4)**	(6)
Capital allowances in excess of depreciation	**1**	(1)
Other timing differences	**-**	(1)
Adjustments to tax charge in respect of prior periods	**1**	(4)
Exceptional items	**16**	20
Group relief received for no consideration	**(6)**	(8)
Effective current tax rate	**33**	27

Factors which may affect future tax charges

A number of changes to the UK corporation tax system were announced in the March 2012 Budget Statement. The Finance Act 2012 was enacted on 17 July 2012 and reduced the main rate of corporation tax from 25% to 23% from 1 April 2013. The effect of this change has been reflected in the closing deferred tax balance shown in note 15.

A further reduction to the main rate of corporation tax is proposed to be enacted separately with the aim of reducing the rate to 22% by 1 April 2014. The reduction in the corporation tax rate is likely to result in a further reduction in the net deferred tax liability provided at 29 September 2012 of approximately £3m in total.

7. DIVIDENDS

During the period, the Company paid dividends of £84m (2011 £59m) to its immediate parent company, Mitchells & Butlers Retail Holdings Limited. There were no dividends proposed at the period end (2011 £nil).

8. TANGIBLE FIXED ASSETS

	Land & buildings £m	*Fixtures, fittings & equipment £m*	*Total £m*
Cost or valuation			
At 24 September 2011*	3,228	809	4,037
Additions	28	53	81
Disposals***	(18)	(65)	(83)
Transfer (to)/from other categories	-	(4)	(4)
Revaluation**	(34)	(3)	(37)
At 29 September 2012	**3,204**	**790**	**3,994**
Depreciation			
At 24 September 2011*	98	345	443
Provided in the period	18	76	94
Disposals***	(17)	(65)	(82)
Transfer (to)/from other categories	-	(2)	(2)
At 29 September 2012	**99**	**354**	**453**
Net book value			
At 29 September 2012	**3,105**	**436**	**3,541**
At 24 September 2011	3,130	464	3,594

* As part of the detailed preparatory work being undertaken by the Mitchells & Butlers plc Group in advance of investment in a new financial and management accounting system, a number of historical adjustments made to the fixed asset register have been reviewed and are believed to no longer be required. These adjustments have no impact on the carrying value of the assets and have been removed from the general ledger. In accordance with FRS 15 the opening cost and accumulated depreciation at 24 September 2011 have been restated to reflect these adjustments. The opening cost has increased by £225m (being an increase of £68m to land and buildings and an increase of £157m to the cost of fixtures, fittings and equipment) and an adjustment has been recorded to restate the brought forward accumulated depreciation at 24 September 2011 by £225m (being an increase of £86m to the accumulated depreciation of land and buildings and an increase of £139m to the accumulated depreciation of fixtures, fittings and equipment). There is no impact on the net book value of tangible fixed assets in the balance sheet.

** £55m has been charged (2011 £47m) against current period profits (see note 3), with the balance of £18m gain (2011 £61m) recognised through the revaluation reserve (see note 17).

*** Includes assets which are fully depreciated and have been removed from the fixed asset register.

Properties
A policy of valuing the majority of the Company's freehold and long leasehold licensed properties, for accounting purposes, was adopted on 27 September 2008.

Short leasehold properties (properties with an unexpired term of 50 years or less), unlicensed properties and fixtures, fittings and equipment are held at cost less depreciation and impairment.

The Company's policy is to account for land held under both long and short leasehold contracts as operating leases, since it has no expectation that title will pass on expiry of the lease contracts.

8. TANGIBLE FIXED ASSETS (CONTINUED)

The freehold and long leasehold licensed properties were valued at market value, as at 29 September 2012 by CBRE (24 September 2011 by Colliers International UK plc), independent chartered surveyors. The valuation was carried out in accordance with the provisions of RICS Appraisal and Valuation Standards ('The Red Book') assuming each asset is sold as part of the continuing enterprise in occupation individually as a fully operational trading entity. The market value has been determined having regard to factors such as current and future projected income levels, taking account of the location, the quality of the pub or restaurant and recent market transactions in the sector. Changes in these assumptions such as the valuation basis applied in comparable market transactions, or the income level generated by a pub could materially impact the valuation of the freehold and long leasehold land and buildings. It is estimated that a £1 change in the EBITDA of the freehold and long leasehold land and buildings would generate approximately £8 movement in their valuation.

Analysis of land & buildings	*Cost or Valuation £m*	*Depreciation £m*	*Net Book Value 29 September 2012 £m*	*Net Book Value 24 September 2011 £m*
Freehold properties (at valuation)	**2,835**	**(45)**	**2,790**	2,809
Long leasehold properties (at valuation)	**244**	**(5)**	**239**	238
Short leasehold and unlicensed properties (at cost)	**125**	**(49)**	**76**	83
Total land & buildings	**3,204**	**(99)**	**3,105**	3,130

Historical cost of properties	*Cost £m*	*Depreciation £m*	*Net Book Value £m*
At 29 September 2012	**1,971**	**(50)**	**1,921**
At 24 September 2011	2,006	(49)	1,957

9. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost	
At 29 September 2012 and 24 September 2011	**32**
Provision	
At 29 September 2012 and 24 September 2011	**11**
Net book value	
At 29 September 2012 and 24 September 2011	**21**

Details of the investments in which the Company holds directly all of the share capital are as follows:

Subsidiary undertaking	*Country of registration (or incorporation) and operation*	*Holding*	*Proportion of voting rights and shares held*	*Nature of Business*
Browns Restaurants Limited*	England and Wales	Ordinary shares	100%	Non-Trading
Old Kentucky Restaurants Limited	England and Wales	Ordinary shares	100%	Trademark Owner

* This company has subsidiaries which are either dormant or non-trading.

10. STOCKS

	29 September 2012 £m	*24 September 2011 £m*
Goods held for resale	**18**	19

The replacement cost of stocks approximates to the value above.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 September 2012 £m	*24 September 2011 £m*
Loan to Mitchells & Butlers Retail Holdings Limited*	**1,362**	1,362
Loan to Mitchells & Butlers plc*	**282**	282
Prepayments	**11**	8
	1,655	1,652

* Non-interest-bearing loan.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 September 2012 £m	*24 September 2011 £m*
Term advances with Mitchells & Butlers Finance plc (note 14)	**53**	49
Amounts owed to fellow subsidiary undertakings	**125**	126
Corporation tax	**11**	7
Other taxation and social security	**53**	48
Other creditors and accruals	**55**	58
	297	288

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	29 September 2012 £m	*24 September 2011 £m*
Term advances with Mitchells & Butlers Finance plc (note 14)	**2,124**	2,177
Other creditors*	**12**	12
	2,136	2,189

* Other creditors comprise an amount held in respect of the Group's gaming machine VAT claim. A decision was released during 2010 in respect of Rank plc's gaming claim and this ruling fell in the taxpayer's favour. As a result, the Group was able to further pursue its own gaming claim which was submitted in April 2006. HMRC agreed to make a repayment of the existing claim, subject to the Group providing a guarantee to HMRC that, in the event that the existing decision is overturned in a higher court, the amount will be repayable in full. HMRC lodged an appeal with the European Court of Justice (ECJ) in 2010 in respect of Rank plc's decision. The ECJ released its decision on the Rank plc case on 11 November 2011. The outcome is still uncertain as a hearing in the UK Upper Tribunal in June 2012 concluded that the original Rank plc hearing in the First Tier Tribunal (FTT) made an error of law and therefore needs to reconsider the case in line with the ECJ findings. No date has been set for the FTT hearing. The Group continues to hold the original repayment amount of £12m as a liability until there is more certainty as to the outcome of this appeal.

14. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC

Maturity profile	*29 September 2012 £m*	*24 September 2011 £m*
Amounts falling due within one year	**53**	49
Amounts falling due after more than one year:		
Between one and two years	**57**	709
Between two and five years	**202**	182
After five years	**1,865**	1,286
	2,124	2,177
	2,177	2,226

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 £200,000,000 due 2030;
- Class A2 5.584% Term Advance for £550,000,000 due 2030;
- Class A3N floating rate Term Advance for £250,000,000 due 2030;
- Class B1 5.975% Term Advance for £350,000,000 due 2025;
- Class B2 6.023% Term Advance for £350,000,000 due 2030; and
- Class C1 6.479% Term Advance for £200,000,000 due 2032.

On 15 September 2006, the Company borrowed a further £655m from Mitchells & Butlers Finance plc in the following four tranches:

- Class A4 floating rate Term Advance for £170,000,000 due 2030;
- Class AB floating rate Term Advance for £325,000,000 due 2034;
- Class C2 floating rate Term Advance for £50,000,000 due 2036; and
- Class D1 floating rate Term Advance for £110,000,000 due 2038.

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.

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

Tranche	Interest	Margin	Margin step-up date	Post step-up margin
A1N	3 month LIBOR	0.46%	No further step-up	-
A3N	3 month LIBOR	0.46%	No further step-up	-
A4	3 month LIBOR	0.24%	September 2013	0.59%
AB	3 month LIBOR	0.25%	September 2013	0.61%
C2	3 month LIBOR	0.76%	September 2013	1.89%
D1	3 month LIBOR	0.86%	September 2013	2.14%

In order to mitigate the interest rate risk inherent in the floating rate Term Advances, the Company entered into interest rate hedging arrangements with Mitchells & Butlers Finance plc which fix the interest rate payable including the margin as follows:

- A1N 5.6405%;
- A3N 5.7245%;
- A4 5.0522%;
- AB 4.9492%;
- C2 5.3532%; and
- D1 5.4182%.

14. TERM ADVANCES WITH MITCHELLS & BUTLERS FINANCE PLC (CONTINUED)

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

	29 September 2012 £m	*24 September 2011 £m*
Principal outstanding at start of period	**2,235**	2,284
Principal repaid during the period	**(51)**	(49)
Principal outstanding at end of period	**2,184**	2,235
Deferred issue costs	**(11)**	(12)
Accrued interest	**4**	3
Carrying value at the end of the period	**2,177**	2,226

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 29 September 2012, the Company had cash and cash equivalents of £133m (2011 £115m) and short term investments of £nil (2011 £ 20m), which were governed by the covenants associated with the securitisation. Of these amounts £42m (2011 £44m), 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.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	29 September 2012 £m	*24 September 2011 £m*
Deferred tax	**58**	67
Property provisions	**5**	4
	63	71

15. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Deferred tax

	29 September 2012 £m	*24 September 2011 £m*
At start of period	**67**	80
Profit and loss account: current and prior periods	**(4)**	(8)
Profit and loss account: change in tax rate	**(5)**	(5)
At end of period	**58**	67
Analysed as tax on timing differences related to:		
Fixed assets	**53**	54
Deferred gains	**6**	13
Other	**(1)**	-
	58	67

No provision has been made for deferred tax on the sale of properties at their revalued amounts or where gains have been or are expected to be deferred against expenditure on replacement assets for an indefinite period until the sale of the replacement assets. The total amount unprovided is estimated at £289m (24 September 2011 £330m). It is not anticipated that any such tax will be payable in the foreseeable future.

Property lease provision

	29 September 2012 £m	*24 September 2011 £m*
At start of period	**4**	4
Utilised	**(2)**	(1)
Charged to the profit and loss account	**3**	1
At end of period	**5**	4

Onerous property provisions represent the expected unavoidable losses on onerous and vacant property leases and comprises the lower of the net rent payable or the operating loss after rental costs. The provision is calculated on a site by site basis, with an estimated period of future losses ranging from three to five years.

16. SHARE CAPITAL

	29 September 2012 £m	*24 September 2011 £m*
Allotted, called up and fully paid		
3,882,000 ordinary shares of £1 each (2011 3,882,000)	**4**	4

17. RECONCILIATION OF MOVEMENT IN RESERVES AND SHAREHOLDERS' FUNDS

	Share capital £m	*Share premium £m*	*Revaluation reserve £m*	*Profit & loss account £m*	*Total £m*
At 24 September 2011	4	1,561	1,108	200	2,873
Unrealised surplus on revaluation of the property portfolio	-	-	18	-	18
Profit	-	-	-	65	65
Dividends	-	-	-	(84)	(84)
At 29 September 2012	**4**	**1,561**	**1,126**	**181**	**2,872**

The Company's ability to distribute its profit and loss account reserve by way of dividend is restricted by the securitisation covenants as set out in note 14.

18. FINANCIAL COMMITMENTS

Operating lease commitments

The Company has annual commitments under operating leases which expire as follows:

	29 September 2012		*24 September 2011*	
	Properties £m	*Other £m*	*Properties £m*	*Other £m*
Within one year	-	-	-	3
Between one and five years	**2**	-	2	-
After five years	**19**	-	19	-
	21	-	21	3

Capital commitments

	29 September 2012 £m	*24 September 2011 £m*
Future capital expenditure contracted for, but not provided for	**13**	24

19. RELATED PARTY DISCLOSURE

As a wholly owned subsidiary of Mitchells & Butlers plc, the Company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose details of related party transactions or balances with entities which form part of the Group.

20. 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 plc 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 plc Group granted full fixed and floating security over their respective assets and undertaking.

The Company has entered into swap arrangements with Mitchells & Butlers Finance plc which convert underlying borrowings with an effective principal, after amortisation, of £1,075m (2011 £1,092m) from floating rate interest payable to fixed rate interest payable. At the period end these had a fair value of £325m (2011 £280m).

21. ULTIMATE PARENT UNDERTAKING

Mitchells & Butlers plc is the ultimate parent undertaking and controlling party of the Company. The immediate parent undertaking of the Company is Mitchells & Butlers Retail Holdings Limited. The only group in which the Company is consolidated is that headed by Mitchells & Butlers plc. Copies of the Group consolidated financial statements of Mitchells & Butlers plc, which is the only Group into which this Company is consolidated, are available from the Company Secretary, Mitchells & Butlers plc, 27 Fleet Street, Birmingham B3 1JP.

All undertakings above, including the Company, are companies incorporated in the United Kingdom and registered in England and Wales.