

Mitchells & Butlers Retail Limited

Unaudited Semi-Annual Financial Statements

For the 28 weeks ended 8 April 2017

Registration Number: 24542

INCOME STATEMENT

For the 28 weeks ended 8 April 2017

		28 weeks ended 8 April 2017 £m	28 weeks ended 9 April 2016 £m	52 weeks ended 24 September 2016 £m
Revenue		859	849	1,607
Operating costs		(727)	(714)	(1,336)
Separately disclosed items	2	(2)	-	(20)
OPERATING PROFIT	2	130	135	251
Finance revenue		-	-	1
Finance costs	3	(65)	(67)	(125)
PROFIT BEFORE TAXATION		65	68	127
Tax	4	(10)	(19)	(27)
PROFIT FOR THE PERIOD		55	49	100

The above results are derived from continuing operations.

Mitchells & Butlers Retail Limited

STATEMENT OF COMPREHENSIVE INCOME For the 28 weeks ended 8 April 2017

		28 weeks ended 8 April 2017 £m	28 weeks ended 9 April 2016 £m	52 weeks ended 24 September 2016 £m
	Notes			
PROFIT FOR THE PERIOD		55	49	100
Items that will not be reclassified subsequently to profit or loss:				
Unrealised gain on revaluation of the property portfolio		-	-	194
Tax relating to items not reclassified	4	<u>4</u>	<u>26</u>	<u>5</u>
		<u>4</u>	<u>26</u>	<u>199</u>
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges:				
-Gains/(losses) arising during the period		42	(69)	(150)
-Reclassification adjustments for items included in profit or loss		22	22	43
Tax (charge)/credit relating to items that may be reclassified	4	<u>(11)</u>	<u>2</u>	<u>9</u>
		<u>53</u>	<u>(45)</u>	<u>(98)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) AFTER TAX		57	(19)	101
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>112</u>	<u>30</u>	<u>201</u>

Mitchells & Butlers Retail Limited

Registration Number: 24542

BALANCE SHEET

At 8 April 2017

	Notes	8 April 2017 £m	9 April 2016 £m	24 September 2016 £m
NON-CURRENT ASSETS				
Intangible assets		1	2	2
Property, plant and equipment	6	3,770	3,597	3,780
Investments in subsidiaries		21	21	21
Deferred tax asset		58	62	68
Lease premiums		1	1	1
TOTAL NON-CURRENT ASSETS		3,851	3,683	3,872
CURRENT ASSETS				
Inventories		19	19	18
Trade and other receivables	7	1,660	1,660	1,652
Cash and cash equivalents		101	91	103
Assets held for sale	6	31	-	-
TOTAL CURRENT ASSETS		1,811	1,770	1,773
TOTAL ASSETS		5,662	5,453	5,645
CURRENT LIABILITIES				
Trade and other payables	8	(229)	(231)	(224)
Corporation tax liabilities		(12)	(16)	(12)
Borrowings	9	(77)	(72)	(75)
Derivative financial instruments	10	(44)	(43)	(44)
TOTAL CURRENT LIABILITIES		(362)	(362)	(355)
NET CURRENT ASSETS		1,449	1,408	1,418
NON-CURRENT LIABILITIES				
Borrowings	9	(1,830)	(1,907)	(1,865)
Derivative financial instruments	10	(294)	(300)	(358)
Deferred tax liabilities		(281)	(274)	(286)
Provisions		(5)	(3)	(3)
TOTAL NON-CURRENT LIABILITIES		(2,410)	(2,484)	(2,512)
TOTAL LIABILITIES		(2,772)	(2,846)	(2,867)
NET ASSETS		2,890	2,607	2,778
EQUITY				
Share capital		4	4	4
Share premium account		-	1,561	-
Hedging reserve		(281)	(281)	(334)
Revaluation reserve		1,018	1,061	1,018
Profit and loss account		2,149	262	2,090
TOTAL EQUITY		2,890	2,607	2,778

Mitchells & Butlers Retail Limited
 STATEMENT OF CHANGES IN EQUITY
 For the 28 weeks ended 8 April 2017

	Share capital £m	Share premium £m	Revaluation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 26 September 2015	4	1,561	1,040	(236)	248	2,617
Profit for the period	-	-	-	-	49	49
Other comprehensive income/(expense)	-	-	21	(45)	5	(19)
Total comprehensive income/(expense)	-	-	21	(45)	54	30
Dividends	-	-	-	-	(40)	(40)
At 9 April 2016	4	1,561	1,061	(281)	262	2,607
Profit for the period	-	-	-	-	51	51
Other comprehensive income/(expense)	-	-	171	(53)	2	120
Total comprehensive income/(expense)	-	-	171	(53)	53	171
Share capital issued	214	-	(214)	-	-	-
Capital reduction	(214)	(1,561)	-	-	1,775	-
At 24 September 2016	4	-	1,018	(334)	2,090	2,778
Profit for the period	-	-	-	-	55	55
Other comprehensive income	-	-	-	53	4	57
Total comprehensive income	-	-	-	53	59	112
At 8 April 2017	<u>4</u>	<u>-</u>	<u>1,018</u>	<u>(281)</u>	<u>2,149</u>	<u>2,890</u>

Mitchells & Butlers Retail Limited

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 8 APRIL 2017

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 24 September 2016 has been extracted from the Company's published financial statements for that period, which contain an unqualified audit report and which have been filed with the Registrar of Companies and did not include an emphasis of matter reference, or any statement required under Section 498(2) or (3) of the Companies Act 2006.

The periods ended 8 April 2017 and 9 April 2016 are regarded as distinct financial periods for accounting purposes; income and costs are recognised in the profit and loss account as they arise; tax is calculated on the basis of the expected effective tax rate for the full year.

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

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

2. OPERATING PROFIT

	28 weeks ended 8 April 2017 £m	28 weeks ended 9 April 2016 £m	52 weeks ended 24 September 2016 £m
EBITDA	180	183	360
Depreciation and amortisation	(48)	(48)	(89)
Separately disclosed items:			
- Movement in the valuation of the property portfolio*	(2)	-	(21)
- Profit arising on property disposals	-	-	1
Operating Profit	<u>130</u>	<u>135</u>	<u>251</u>

* During the period, a group of properties have been classified as held for sale. At 8 April 2017 the net book value of these properties is £31m. An impairment of £2m has been recognised in the period to reduce the carrying value of these assets to fair value less costs to sell, where this is lower.

52 weeks ended 24 September 2016 includes a movement of £21m in the valuation of the property portfolio, comprising £1m of impairment recognised on short leasehold and unlicensed properties where their carrying values exceed their recoverable amount and a £20m charge arising from the Company's annual revaluation of its pub estate.

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3. FINANCE COSTS

	28 weeks ended 8 April 2017 £m	28 weeks ended 9 April 2016 £m	52 weeks ended 24 September 2016 £m
Intercompany interest on Term Advances	(63)	(66)	(121)
Liquidity facility fees reimbursed to Mitchells & Butlers Finance plc	(2)	(1)	(4)
Total finance costs	<u>(65)</u>	<u>(67)</u>	<u>(125)</u>

4. TAXATION

	28 weeks ended 8 April 2017 £m	28 weeks ended 9 April 2016 £m	52 weeks ended 24 September 2016 £m
Taxation – income statement			
Current taxation:			
UK corporation tax	(13)	(13)	(28)
UK corporation tax adjustments to prior periods	-	(20)	(19)
Group relief received for nil payment	2	3	1
	<u>(11)</u>	<u>(30)</u>	<u>(46)</u>
Deferred taxation			
Arising from origination and reversal of temporary differences	1	2	6
Arising from changes in tax rates and laws	-	7	10
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	2	3
	<u>1</u>	<u>11</u>	<u>19</u>
Total tax expense recognised in the income statement	<u>(10)</u>	<u>(19)</u>	<u>(27)</u>

	28 weeks ended 8 April 2017 £m	28 weeks ended 9 April 2016 £m	52 weeks ended 24 September 2016 £m
Taxation - other comprehensive income			
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss:			
Unrealised gains due to revaluations – revaluation reserve	-	21	(2)
Unrealised gains due to revaluations – retained earnings	4	(1)	(2)
Rolled over and held over gains - retained earnings	<u>-</u>	<u>6</u>	<u>9</u>
	4	26	5
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	<u>(11)</u>	<u>2</u>	<u>9</u>
Total tax (charge)/credit recognised in other comprehensive income	<u>(7)</u>	<u>28</u>	<u>14</u>

Mitchells & Butlers Retail Limited

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 8 APRIL 2017

4. TAXATION (CONTINUED)

Tax has been calculated using an estimated annual effective rate of 19.5% (2016 28 weeks, 20.0%, 52 weeks, 20.0%) on profit before tax.

The Finance (No.2) Act 2015 was enacted on 18 November 2015 and reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balance at 8 April 2017.

5. DIVIDENDS

During the period, the Company has paid dividends of £nil (2016 28 weeks £40m, 52 weeks £40m). Dividend payments are made by the Company to its immediate parent undertaking, Mitchells & Butlers Retail Holdings Limited.

6. PROPERTY, PLANT AND EQUIPMENT

	8 April 2017 £m	9 April 2016 £m	24 September 2016 £m
At beginning of period	3,780	3,585	3,585
Additions	72	61	112
(Impairment)/revaluation	(2)	-	173
Disposals	(1)	(1)	(2)
Depreciation provided during the period	(48)	(48)	(88)
Transfers to assets held for sale*	(31)	-	-
At end of period	<u><u>3,770</u></u>	<u><u>3,597</u></u>	<u><u>3,780</u></u>

* During the period, a group of properties have been classified as held for sale. At 8 April 2017 the net book value of these properties was £31m. An impairment of £2m has been recognised in the period to reduce the carrying value of these assets to the fair value less costs to sell, where this is lower.

7. TRADE AND OTHER RECEIVABLES

	8 April 2017 £m	9 April 2016 £m	24 September 2016 £m
Trade receivables	1	1	2
Amounts owed by other group undertakings*	1,646	1,646	1,646
Prepayments	12	12	4
Other receivables	1	1	-
Total trade and other receivables	<u><u>1,660</u></u>	<u><u>1,660</u></u>	<u><u>1,652</u></u>

*Includes an amount of £1,362m (9 April 2016 £1,362m, 24 September 2016 £1,362m) owed by Mitchells & Butlers Retail Holdings Ltd and £282m (9 April 2016 £282m, 24 September 2016 £282m) owed by Mitchells & Butlers plc. These amounts are non-interest bearing loans.

Mitchells & Butlers Retail Limited

SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 8 APRIL 2017

8. TRADE AND OTHER PAYABLES

	8 April 2017 £m	9 April 2016 £m	24 September 2016 £m
Accrued expenses	51	51	45
Social security and other taxes	47	50	46
Other payables	14	19	16
Amounts owed to group undertakings	117	111	117
Total trade and other payables	<u>229</u>	<u>231</u>	<u>224</u>

9. BORROWINGS

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

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

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

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

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

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

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

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

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SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 8 APRIL 2017

9. BORROWINGS (CONTINUED)

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

	8 April 2017 £m	9 April 2016 £m	24 September 2016 £m
Principal outstanding at beginning of the period	1,944	2,010	2,010
Principal repaid during the period	(38)	(32)	(66)
Principal outstanding at end of period	<u>1,906</u>	<u>1,978</u>	<u>1,944</u>
Deferred issue costs	(6)	(7)	(7)
Accrued interest	7	8	3
Carrying value at end of period	<u><u>1,907</u></u>	<u><u>1,979</u></u>	<u><u>1,940</u></u>
Maturity profile:			
Amounts falling due within one year	77	72	75
Amounts falling due after more than one year	1,830	1,907	1,865
	<u><u>1,907</u></u>	<u><u>1,979</u></u>	<u><u>1,940</u></u>

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 8 April 2017, the Company had cash and cash equivalents of £101m (9 April 2016 £91m, 24 September 2016 £103m). Of this amount £1m (9 April 2016 £39m, 24 September 2016 £36m), representing disposal proceeds, was held on deposit in an account over which there are a number of restrictions (restricted cash). The use of this cash requires the approval of the securitisation trustee and may only be used for certain specified purposes such as capital enhancement expenditure and business acquisitions.

10. 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	
8 April 2017			
Cash flow hedges			
Intercompany interest rate swaps	<u>44</u>	<u>294</u>	<u>338</u>

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SUPPLEMENTARY INFORMATION – RECONCILIATIONS TO THE INTERIM INVESTOR REPORT: 8 APRIL 2017

10. FINANCIAL INSTRUMENTS (CONTINUED)

	Total Liabilities		Total £m
	Less than one year £m	More than one year £m	
9 April 2016			
Cash flow hedges			
Intercompany interest rate swaps	43	300	343

	Total Liabilities		Total £m
	Less than one year £m	More than one year £m	
24 September 2016			
Cash flow hedges			
Intercompany interest rate swaps	44	358	402

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.