

# **Mitchells & Butlers (Property) Limited**

## **Report and Financial Statements**

For the 53 weeks ended 1 October 2005

*Registered Number: 1299745*



# Mitchells & Butlers (Property) Limited

## DIRECTORS' REPORT

for the 53 weeks ended 1 October 2005

The Directors present their report on the affairs of the Company, together with the financial statements and independent report of the auditors, for the 53 weeks ended 1 October 2005. The comparative period is for the 52 weeks ended 25 September 2004.

### PRINCIPAL ACTIVITIES, BUSINESS REVIEW, RESULTS AND DIVIDENDS

The principal activity of the Company is, and is expected to continue to be, the ownership and management of a property portfolio.

Turnover for the period was £526,000 (52 weeks 2004 : £549,000). The loss for the period before taxation amounted to £1,047,000 (52 weeks 2004 : £26,000). Taxation credited against the loss for the period was £666,000 (52 weeks 2004 : £1,329,000 charge) leaving a loss after taxation of £381,000 (52 weeks 2004 : £1,355,000). The Directors do not recommend the payment of a dividend (52 weeks 2004 : £nil).

### DIRECTORS AND THEIR INTERESTS

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

M J N Bridge	(resigned 25 <sup>th</sup> October 2005)
B Kennedy	
K Naffah	
V M Penrice	(appointed 25 <sup>th</sup> October 2005)
J C D Townsend	(appointed 19 <sup>th</sup> May 2006)

The Directors serving at the year end and their families had the following interests in the ordinary shares of Mitchells & Butlers plc at 1 October 2005 and 26 September 2004.

Name of Director	Ordinary shares (i) (ii) (number of shares)		Ordinary shares under option (iv) (number of shares)				Option price (iii)	Earliest exercise date
	1 Oct 2005	26 Sept 2004	1 Oct 2005	Exercised during period	Granted during period	Lapsed during period	26 Sept 2004	
M J N Bridge	25,012	9,858	320,436	149,478	64,759	33,545	438,700	Nil to 364p 4 Sept 1999
B Kennedy	15,175	8,870	711,456	97,691	152,064	57,272	714,355	Nil to 364p 4 Sept 1999
K Naffah	144,380	48,627	1,622,893	324,567	331,394	95,454	1,711,520	Nil to 364p 4 Sept 1999

- (i) Includes shares held by trustees under the Mitchells & Butlers Share Incentive Plan.
- (ii) In addition to the shares shown above, K Naffah has received conditional awards under the Mitchells & Butlers Short Term Deferred Incentive Plan of 164,148 shares.
- (iii) 'Nil' option price relates to Mitchells & Butlers plc Performance Restricted Share Plan which has an exercise price of £1 per employee per share plan.
- (iv) Includes grants under the Mitchells & Butlers plc Performance Restricted Share, Sharesave and Executive Share Option Plans.

For full details of all Mitchells & Butlers share option plans see the Annual Report and Financial Statements 2005 of Mitchells & Butlers plc.

# Mitchells & Butlers (Property) Limited

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## DIRECTORS' REPORT

for the 53 weeks ended 1 October 2005

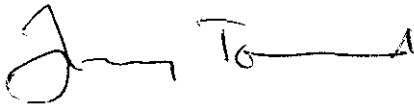
### SUPPLIER PAYMENT POLICY

From the commencement of trading on 6 November 2003, Mitchells & Butlers Leisure Retail Limited, a fellow subsidiary within the Mitchells & Butlers group, has procured goods and services for the Company. As a consequence, the Company has no trade creditors.

### AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



J C D Townsend

Director

Dated: 26/5/06

## Mitchells & Butlers (Property) Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

*Following discussions with the Auditors, the Directors consider that, in preparing the financial statements on pages 5 to 14 inclusive, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.*

*The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.*

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# Mitchells & Butlers (Property) Limited

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITCHELLS & BUTLERS RETAIL LIMITED

We have audited the Company's financial statements for the 53 weeks ended 1 October 2005 which comprise the Profit and Loss Account, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 1 October 2005 and of its loss for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP

Registered Auditor

Birmingham

Dated:

*26 May 2006*

# Mitchells & Butlers (Property) Limited

## PROFIT AND LOSS ACCOUNT for the 53 weeks ended 1 October 2005

		<i>53 weeks ended 1 October 2005 £000</i>	<i>52 weeks ended 25 September 2004 £000</i>
	<i>Notes</i>		
<b>TURNOVER</b>	2	<b>526</b>	549
Cost and overheads, less other income	3	<b>(890)</b>	(1,033)
<b>OPERATING LOSS</b>		<b>(364)</b>	(484)
<b>NON-OPERATING EXCEPTIONAL ITEMS</b>			
(Loss) / profit on disposal of fixed assets		<b>(1,219)</b>	321
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>(1,583)</b>	(163)
Bank interest receivable		<b>536</b>	137
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(1,047)</b>	(26)
Tax credit / (charge) on loss on ordinary activities	6	<b>666</b>	(1,329)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE PERIOD</b>	12	<b>(381)</b>	(1,355)

All turnover and costs are derived from continuing operations.

The Company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 14 form an integral part of these financial statements.

## Mitchells & Butlers (Property) Limited

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### RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS for the 53 weeks ended 1 October 2005

	<i>53 weeks ended 1 October 2005 £000</i>	<i>52 weeks ended 25 September 2004 £000</i>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>(381)</b>	<b>(1,355)</b>
	<hr/>	<hr/>
<b>NET DECREASE IN SHAREHOLDERS' FUNDS</b>	<b>(381)</b>	<b>(1,355)</b>
Opening shareholders' (deficit) / surplus	<b>(1,354)</b>	<b>1</b>
	<hr/>	<hr/>
<b>CLOSING SHAREHOLDERS' DEFICIT</b>	<b>(1,735)</b>	<b>(1,354)</b>
	<hr/>	<hr/>

The notes on pages 8 to 14 form an integral part of these financial statements.

# Mitchells & Butlers (Property) Limited

## BALANCE SHEET at 1 October 2005

	<i>Notes</i>	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
<b>FIXED ASSETS</b>			
Tangible assets	7	7,749	8,897
<b>CURRENT ASSETS</b>			
Debtors			
Amounts falling due within one year	8	59	392
Amounts falling due after more than one year	8	480	570
Cash at bank and in hand		14,101	9,538
		<u>14,640</u>	<u>10,500</u>
<b>CREDITORS: amounts falling due within one year</b>	9	<b>(22,524)</b>	<b>(18,851)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(7,884)</b>	<b>(8,351)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(135)</b>	<b>546</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	10	<b>(1,600)</b>	<b>(1,900)</b>
<b>NET LIABILITIES</b>		<b>(1,735)</b>	<b>(1,354)</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	-	-
Profit and loss account	12	(1,735)	(1,354)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<b>(1,735)</b>	<b>(1,354)</b>

Signed on behalf of the Board



J C D Townsend

Director

Dated: 26/5/06

The notes on pages 8 to 14 form an integral part of these financial statements.



# Mitchells & Butlers (Property) Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 1 October 2005

### 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. They have been drawn up to comply with applicable UK accounting standards.

The Company's accounting reference date is 30 September. The Company has drawn up its financial statements for the 53 weeks to 1 October 2005, the Saturday directly following the accounting reference date, as permitted by section 223 (3) of the Companies Act 1985. The comparative period is for the 52 weeks ended 25 September 2004.

#### *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.

#### *Cash flow*

In accordance with FRS1 (Revised) these financial statements do not include 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 1 October 2005 include a consolidated cash flow statement.

#### *Fixed assets and depreciation*

Fixed assets are stated at cost less depreciation.

Freehold land is not depreciated.

Freehold and long leasehold properties are depreciated over 50 years from the date of acquisition to their estimated residual value. Leasehold properties are depreciated over the unexpired term of the lease when less than 50 years.

The cost of plant, machinery, fixtures, fittings, tools and equipment is spread, by equal instalments, over the estimated useful lives of the relevant assets of between 3 and 20 years.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### *Leases*

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

#### *Deferred taxation*

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.

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.

#### *Turnover*

Turnover represents rental income (excluding VAT) received in the normal course of business.

# Mitchells & Butlers (Property) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 1 October 2005

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *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 and pensions.

### 2. TURNOVER ANALYSIS

#### *Turnover*

	<i>53 weeks ended 1 October 2005 £000</i>	<i>52 weeks ended 25 September 2004 £000</i>
Property rentals	526	549

All of the Company's business is performed in the United Kingdom.

### 3. COSTS AND OVERHEADS, LESS OTHER INCOME

	<i>53 weeks ended 1 October 2005 £000</i>	<i>52 weeks ended 25 September 2004 £000</i>
Depreciation of tangible fixed assets	29	37
Other external charges	861	996
	<u>890</u>	<u>1,033</u>

The following amounts are included above:

	<i>53 weeks ended 1 October 2005 £000</i>	<i>52 weeks ended 25 September 2004 £000</i>
Property operating lease rentals	796	893

### 4. AUDITORS' REMUNERATION

Auditors' remuneration is borne on behalf of the Company by another group company.

# Mitchells & Butlers (Property) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 1 October 2005

### 5. STAFF COSTS

#### *Employees*

The Company does not have any direct employees. The administration of the Company's property portfolio is conducted on its behalf by other companies in the Mitchells & Butlers group.

#### *Directors' remuneration*

None of the three Directors who served during the period received remuneration in respect of services provided to the Company.

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

<i>Tax charge</i>	<i>53 weeks ended 1 October 2005 £000</i>	<i>52 weeks ended 25 September 2004 £000</i>
UK Corporation Tax at 30% (52 weeks 2004: 30%)		
Current period tax (credit) / charge	(126)	1,149
Prior period tax (credit) / charge	(630)	-
Deferred Tax		
Origination and reversal of timing differences (note 8)	90	180
Tax (credit) / charge on loss on ordinary activities	<u>(666)</u>	<u>1,329</u>
Further analysed as tax relating to:		
Operating loss and interest	60	(81)
Non-operating exceptional items	(726)	1,410
	<u>(666)</u>	<u>1,329</u>

<i>Tax Reconciliation</i>	<i>53 weeks ended 1 October 2005 %</i>	<i>52 weeks ended 25 September 2004 %</i>
UK Corporation Tax standard rate	30.0	30.0
Permanent differences	(0.8)	(88.8)
Exceptional items	(17.1)	(4,360.4)
Adjustment to tax charge in respect of prior years	60.1	-
Effective current tax rate	<u>72.2</u>	<u>(4,419.2)</u>
Impact of exceptional items	(37.2)	4,442.5
Effective current tax rate before exceptional items	<u>35.0</u>	<u>23.3</u>

#### *Factors which may affect future tax charges*

The key factors which may affect future tax charges include continuing capital expenditure, the availability of accelerated tax depreciation and changes in tax legislation.

# Mitchells & Butlers (Property) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 1 October 2005

### 7. TANGIBLE FIXED ASSETS

	<i>Land &amp; buildings £000</i>	<i>Fixtures, fittings &amp; equipment £000</i>	<i>Total £000</i>
Cost:			
At 26 September 2004	8,502	420	8,922
Additions	3	-	3
Disposals	(1,122)	-	(1,122)
At 1 October 2005	<b>7,383</b>	<b>420</b>	<b>7,803</b>
Depreciation:			
At 26 September 2004	6	19	25
Provided in the period	9	20	29
Disposals	-	-	-
At 1 October 2005	<b>15</b>	<b>39</b>	<b>54</b>
Net book value:			
At 1 October 2005	<b>7,368</b>	<b>381</b>	<b>7,749</b>
At 25 September 2004	8,496	401	8,897

#### Analysis of properties

	<i>Cost £000</i>	<i>Depreciation £000</i>	<i>Net Book Value 1 October 2005 £000</i>	<i>Net Book Value 25 September 2004 £000</i>
Licensed and unlicensed properties:				
Freehold	6,293	(9)	6,284	7,411
Leasehold over 50 years	1,090	(6)	1,084	1,085
Total properties	<b>7,383</b>	<b>(15)</b>	<b>7,368</b>	<b>8,496</b>

### 8. DEBTORS

	<i>2005 £000</i>	<i>2004 £000</i>
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	-	39
Sundry debtors	52	329
Prepayments	7	24
Total debtors	<b>59</b>	<b>392</b>
Amounts falling due after more than one year:		
Deferred taxation	480	570
Total debtors	<b>539</b>	<b>962</b>

# Mitchells & Butlers (Property) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 1 October 2005

### 8. DEBTORS (CONTINUED)

#### *Deferred taxation*

	2005 £000	2004 £000
At 26 September 2004	570	-
Transfer from another group company	-	750
Profit and loss account	(90)	(180)
At 1 October 2005	480	570
	2005 £000	2004 £000
Analysed as tax on timing differences related to:		
Provisions	480	570
	480	570

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £000	2004 £000
Amounts owed to ultimate parent undertaking	16,335	16,498
Amounts owed to fellow subsidiary undertakings	4,589	-
UK corporation tax payable	393	1,149
Other taxation and social security	7	204
Accruals and deferred revenue	1,200	1,000
	22,524	18,851

# Mitchells & Butlers (Property) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 1 October 2005

### 10. PROVISIONS FOR LIABILITIES AND CHARGES

#### *Property lease provision*

	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
At 26 September 2004	1,900	-
Transfer from another group company	-	2,500
Utilised	(472)	(90)
Charge / (release) to Profit and Loss Account	172	(510)
At 1 October 2005	<u>1,600</u>	<u>1,900</u>

The onerous property lease expires in nine years time.

### 11. CALLED UP SHARE CAPITAL

	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 (2003: 100)	-	-

### 12. RESERVES

	<i>Profit &amp; loss account £000</i>
At 26 September 2004	(1,354)
Retained loss for the period	(381)
At 1 October 2005	<u>(1,735)</u>

# Mitchells & Butlers (Property) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 1 October 2005

### 13. FINANCIAL COMMITMENTS

#### *Operating lease commitments*

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

	<i>Properties</i> <i>2005</i> <i>£000</i>	<i>Properties</i> <i>2004</i> <i>£000</i>
Within one year	58	210
Between two and five years	51	65
After five years	976	726
	<u>1,085</u>	<u>1,001</u>

### 14. RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemption in FRS 8 as a wholly owned subsidiary not to disclose details of related party transactions required by the standard.

### 15. CONTINGENT LIABILITIES

The Company is party to a composite guarantee with certain other Group companies in connection with its day-to-day cash pooling arrangements. Any potential liability is capped at the level of in hand balances held by the Company and any net overdraft of the group of companies subject to the arrangement. At 1 October, 2005, the Company had a bank balance of £14,101,000 (2004 : £9,536,000) and the group of companies had a net bank balance of £189,000 (2004 : £2,251,000). Therefore, at 1 October, 2005, the Company had a contingent liability of £14,101,000 (2004 : £9,536,000) under the composite guarantee.

### 16. 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 Holdings Limited. The only group in which Mitchells & Butlers (Property) Limited is consolidated is that headed by Mitchells & Butlers plc. Copies of the Group consolidated financial statements of Mitchells & Butlers plc 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.