

Mitchells & Butlers Retail (No.2) Limited

Annual Report and Financial Statements

for the 52 weeks ended 29 September 2018

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Mitchells & Butlers Retail (No.2) Limited

Strategic Report for the 52 weeks ended 29 September 2018

Mitchells & Butlers Retail (No.2) Limited ("the Company") is a private company limited by shares and is a subsidiary company of Mitchells & Butlers plc. Mitchells & Butlers plc, along with its subsidiaries, form the Mitchells and Butlers group of companies ("the Group").

The Directors present their Strategic Report for the 52 weeks ended 29 September 2018. The comparative period is for the 53 weeks ended 30 September 2017.

Business Model

Fair review of the business

The Company is a UK operator of pubs and restaurants with an estate of 211 managed outlets and 6 leased outlets at 29 September 2018 (2017 210 managed outlets and 6 leased outlets).

Revenue for the period was £292,936,000 (2017 £283,211,000) with profit for the period before taxation of £2,349,000 (2017 Loss of £119,844,000). Taxation credited against the profit for the period was £794,000 (2017 £2,465,000) leaving a profit after tax of £3,143,000 (2017 Loss of £117,379,000). The Company was in a net asset position of £254,438,000 at the period end (2017 £254,400,000).

During the year we have maintained a strong trading performance, investing in our estate and mitigating cost inflation whilst maintaining quality for our guests.

We achieved strong sales in the financial year despite extended periods of snow, unusually hot weather in the summer and England's prolonged success in the FIFA World Cup.

Profitability in the first half was negatively impacted by snow in particular. However, in the second half, performance improved, despite Easter shifting into the first half, as the momentum from our strategic initiatives continued to gather pace.

Over the last year we have continued to focus on our priorities: to build a more balanced business; to instil a more commercial culture; and to drive an innovation agenda. We continued to make strong progress across these three strategic priorities over the year resulting in sustained like-for-like sales growth; and growth in profits in the second half of the financial year.

Market supply

The Eating Out industry has faced a number of challenges over recent years. The number of restaurants in the UK increased by 11% over the past 5 years, outstripping demand growth and resulting in pressure on sales per site across the sector. Over the same period, the sector has also continued to face strong cost headwinds with the combined result of these two factors being a number of CVAs and business closures in the past year. In the twelve months to September 2018, the number of restaurants in operation fell by 1.0% reflecting the competitive pressure in this highly fragmented sector.

From a demand perspective there have been several economic factors impacting consumer confidence including Brexit, political uncertainty and limited growth in real wages. Despite this, turnover in the Eating Out market, as a whole, continues to grow, with forecast growth of 1.5% in 2018 indicating that leisure spend is currently being protected to some extent by consumers. Market trends suggest that consumers are eating out less frequently but spending more when they do, supporting our strategy of premiumisation and focus on providing opportunities for guests to 'trade up' menus.

Building a more balanced business

Our focus in this area is to optimise the balance of brands across the estate in order to create long-term value. During the year, we continued to improve the quality of the estate through premiumisation and amenity upgrades.

We completed 26 remodels and conversions in the year and remain on course to deliver a 6-7 year cycle of investment, from the 11-12 year cycle of previous years. We also completed 7 acquisitions during the year. Acquisitions and conversions continued to focus on the expansion of Miller & Carter, which continues to perform strongly both in terms of sales growth and returns.

We continued to enhance the amenity of sites through our remodel programme. Remodel projects provide a refreshed environment for sites which remain within the same brand, giving the opportunity both to delight existing guests and attract new customers. The remodel programme provides a vehicle through which brands can continue to evolve and innovate in the highly competitive market we operate in.

Mitchells & Butlers Retail (No.2) Limited

Strategic Report for the 52 weeks ended 29 September 2018 (continued)

Business Model (continued)

Instilling a more commercial culture

We have made progress in developing a more commercial culture across the business over recent years, with a relentless focus on profitability essential in the current environment that we operate in. Our centralised procurement process allows us to leverage our scale and mitigate inflationary costs across food, drink and logistics. In addition, centralised pricing changes have generated a benefit through benchmarking against local competitors, events pricing and menu psychology.

Labour remains the most significant cost to the business and improving efficiency without compromising on quality is a constant focus.

Last year we rolled out new software across all of our business to help managers to more effectively deploy labour, through more accurate sales forecasting, scheduling recommendations and electronic time management. We have seen the benefit of embedding this software across the business and will continue to find additional efficiency benefits by focusing on best practice use of the software.

Our focus on online interaction with guests continues as our guests' use of digital platforms, such as apps and online feedback, increases. Last year we introduced reputation.com - a feedback consolidation tool which enables managers to respond to comments from multiple sources through one system. We continue to see the benefits of the personal interaction this platform enables for the guest whilst, in addition, allowing us to gather consumer insight to evolve our brands in line with consumer demands.

Drive an innovation agenda

Technological developments are constantly evolving the way consumers behave and our digital strategy is designed to enable us to benefit from those changes and to satisfy guests' changing needs. A mobile payment option is available in all of our brands, enabling guests to pay their bill on their mobile device. In addition, we continue to refine our order at table facility which allows guests to order food and drink from their mobile device at their table rather than having to queue at the bar.

Digital development provides us with the opportunity to better understand and enhance our guests' experiences. An example of this is free wireless charging stations which we have trialled in a selection of our city centre locations with extremely positive guest feedback. We have also developed our Customer-Relationship Management platform which enables more targeted and personalised communication with guests.

Ignite

Ignite is the internal name used for our focused programme of work underpinning the longer-term strategy. The first phase of Ignite launched in FY 2016 and focused primarily on returning the business to sustained like-for-like sales growth. Having achieved this aim, work began on Ignite 2, a second wave of initiatives which continues the focus on sales growth and also incorporates more efficiency and cost saving workstreams aimed at improving profitability in the face of industry wide cost headwinds.

Examples of live Ignite 2 initiatives include the formation of a central expert labour deployment team who visit sites which are performing below the required labour scheduling accuracy. We have also introduced enhancements to our booking platforms by reducing the number of steps a guest needs to take to book a table which has improved our booking conversions.

Following a successful trial, we have, from the start of FY 2019, removed cash expenditure for sundry expenses such as flowers, taxis, emergency food purchases etc from our businesses. The aim of which is to increase visibility and therefore control over expenses of this nature and also to identify opportunities to leverage our scale to achieve a better price for these items. We have also introduced an interrogative software which analyses all transactional till data and identifies patterns of behaviour which require further investigation and we have a team of people trained in the software who support our managers in then taking action if they have a dishonest member of a team.

Key Performance Indicators

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 2018 of Mitchells & Butlers plc and include staff turnover, net promoter score, same outlet like-for-like sales growth, incremental return on expansionary capital and operating profit.

Further explanation of the performance and reasons for the movements can be found in the Annual Report and Accounts 2018 of Mitchells & Butlers plc.

Mitchells & Butlers Retail (No.2) Limited

Strategic Report for the 52 weeks ended 29 September 2018 (continued)

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 2018 of Mitchells & Butlers plc. Decisions on how to monitor and mitigate these risks are made for the Group as a whole. Risks relevant to the Company include, but are not restricted to the following:

- **Market risks**

Consumer and market insight

Social and demographic changes are driving the long-term growth in eating-out, whilst at the same time leading to a steady decline in the sales of on-trade drinks without food. There is a risk that the Group may not manage and develop its brands in line with consumer needs and market trends, due to failure to obtain or use sufficient insight in a timely manner.

To mitigate this risk, the Group reviews guest feedback submitted in online guest satisfaction surveys. This feedback together with the results of research studies is monitored and evaluated by a dedicated guest insight team to ensure that the Group's brands remain relevant to guests. In addition, the Group operates a consumer and market insight led process to innovate and develop new brands.

Pricing and market changes

External influences, such as changes in the general economic climate or competitor activity, could have a detrimental effect on consumers' spending patterns. In responding to these changes, there is a risk that the Group may not apply price changes intelligently, due to a lack of appreciation of market sensitivities and elasticities.

The Group performs regular monitoring and scrutiny of sales reporting in order to identify adverse trends sufficiently early to take remedial action. There is an increased focus on digital marketing activity and sales training has also been made available for all Retail Management employees. Each Brand also has its own pricing strategy and price promotions are regularly monitored.

- **Operational risks**

People planning and development

The Group has a strong guest focus, and as such it is important that it is able to attract, retain, develop and motivate the best people with the right capabilities. There is a risk that without the right people our customer service levels would be affected.

The Group 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 annually to establish employee satisfaction and engagement and this is compared with other companies, as well as previous surveys. Where appropriate, changes in working practices are made in response to the findings of these surveys.

Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process is used to provide structured succession planning.

Business continuity and crisis management

The Group relies on its food and drink supply chain and the key IT systems underlying the business to serve its guests 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 Group has in place crisis and continuity plans that are tested and refreshed regularly.

Information security and disaster recovery

There is a risk that inadequate disaster recovery plans and information security processes are in place to mitigate against a system outage, or failure to ensure appropriate back-up facilities (covering key business systems and the recovery of critical data) and loss of sensitive data. In addition, there is also an increasing risk of cyber-attacks.

In FY 2018 a further review of cyber security was performed in order to highlight any gaps and address any challenges. As a result, a number of further improvements have been made to address audit actions. In order to mitigate these risks, the Group has a number of controls in place including; a cross-functional Information Security Steering Group; Group Assurance IT controls reviews; regular revision of appropriate cyber security governance policies and procedures; and systems controls to ensure GDPR compliance.

Mitchells & Butlers Retail (No.2) Limited

Strategic Report for the 52 weeks ended 29 September 2018 (continued)

Principal risks and uncertainties (continued)

Brexit

Given that in FY 2019, the transition period for the UK to exit from the EU will commence (noting that c30% of food spend is sourced from EU countries), the overall risk and impact of additional costs is higher. In addition, there is an increasing risk of sourcing certain products given the expected delays at ports following exit from the EU.

Brexit risks have been considered in detail during FY 2018 and mitigating plans continue to be developed, such as buying ahead to mitigate the increasing risk of a lack of availability of products upon exit from the EU.

Food Supply Chain Safety

Malicious or accidental contamination in the supply chain can lead to food goods being unfit for human consumption or potentially dangerous to consume. This leads to restrictions in supply which in turn causes an increase in cost of goods and reduced sales due to consumer fears and physical harm to customers or employees.

The Group uses a number of technical partners to help prevent contamination. All food products are risk rated using standard industry definitions and take account of the way products are used within our kitchens. Suppliers are also risk rated according to their products, with each food supplier being audited once per annum in respect of safety and additionally in response to a serious food safety complaint or incident.

Wage Cost Inflation

There is a risk that increased costs associated with further increases to National Living Wage may adversely impact upon overall operational costs.

The Group continues to review the risks associated with complying with National Living Wage. Reviews are undertaken at a strategic level and seeks to ensure that appropriate mitigating actions are in place, some of which are in relation to how the Group carefully manages productivity and efficiency across the estate. Compliance with National Living Wage will continue to remain an area of focus as we enter FY 2019.

Regulatory risks

Failure to operate safely and legally

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

The Group maintains a robust programme of health and safety checks both within its restaurants and pubs and throughout the supply chain. A number of technical partners are used, including food technologists, food safety experts, a microbiologist, allergy consultants and trading standards specialists etc., 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.

Future Developments

The Company aims to deliver long-term sustainable value through organic growth. The strategy to achieve this goal has three core elements:

- Building a more balanced business to ensure exposure to the right market segments by having the correct trading brand or concept in each outlet, based on location, site characteristics and local demographics.
- Instil a more commercial culture by engaging our teams in delivering outstanding guest experiences and by acting quickly and decisively to remain competitive in our fast-changing marketplace.
- Drive an innovation agenda, ensuring that our brands and formats remain fresh and relevant within their market segments, and by leveraging the increasing role that technology can play in improving guest experience.

Approved by the Board on 21 November 2018 and signed on its behalf by:



A W Vaughan
Director

Mitchells & Butlers Retail (No.2) Limited

Directors' Report for the 52 weeks ended 29 September 2018 (continued)

The Directors present their report on the affairs of the Company, together with the financial statements and independent auditor's report, for the 52 weeks ended 29 September 2018. The comparative period is for the 53 weeks ended 30 September 2017.

Details of future developments can be found in the Strategic Report on page 4.

Dividends

No dividends were declared or paid during the period (2017 £nil). The Directors are proposing a final dividend of £nil (2017 £nil).

Financial risk management

The financial risk management objectives and policies of the Company are monitored as part of the wider Group. Details of the risks and exposure of the Group to financial risks including; credit risk liquidity risk and market risk are provided in the Mitchells & Butlers plc Annual Report and Accounts 2018.

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 of the Company

The Directors who held office during the period and up to the date of this report were as follows:

S K Martindale
L J Miles
A W Vaughan
G J McMahon

Directors indemnity

Throughout the period to which these financial statements refer, the Directors had the benefit of a Directors' and officers' liability insurance policy, the premium for which was paid by the company's ultimate parent company, Mitchells & Butlers plc

Employment policies

Through its diversity policy, the Company aims to provide an environment which enables people with disabilities to perform better by reviewing any reasonable adjustments that could be made to the duties, hours worked or working environment in respect of a disabled employee or potential employee. Candidates can inform the Company about their disability through the use of an online recruitment system, so that reasonable adjustments can be made during any assessment events, allowing them to perform to the best of their ability. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Should any employee of the Company become disabled during their time with it, the Company actively makes reasonable adjustments in accordance with current legislation, including arranging appropriate training, to retain them. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement

The Company engages with its employees in a number of ways including;

- a monthly magazine poster, Frontline News;
- MABLE, the M&B online learning system;
- line manager briefings; and
- communications road-shows held by brands across the Company.

Details of the financial and economic factors affecting the performance of the Company are shared with all employees at the appropriate time using the methods listed above.

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in restaurants and pubs, pulse surveys and an annual Business Forum.

Our employees participate in e-learning, covering food, health and fire safety, Challenge 21 and Intermediate Food Hygiene. We also provide a visual training library which houses short training videos to share best practice tips, health and safety, kitchen and cooking skills.

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

Mitchells & Butlers Retail (No.2) Limited
Directors' Report for the 52 weeks ended 29 September 2018 (continued)

Disclosure of information to the 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.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 21 November 2018 and signed on its behalf by:



A W Vaughan
Director

Mitchells & Butlers Retail (No.2) Limited

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 year. 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), including FRS 101 "Reduced Disclosure Framework". 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 (No.2) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mitchells & Butlers Retail (No 2) Limited (the 'Company')

- give a true and fair view of the state of the Company's affairs as at 29 September 2018 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitchells & Butlers Retail (No.2) Limited (the 'Company') which comprise:

- the Income statement;
- the Statement of Comprehensive Income;
- the Balance sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to the members of Mitchells & Butlers Retail (No.2) Limited (continued)

Responsibilities of Directors (continued)

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

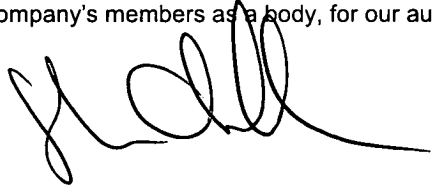
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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.



John Charlton FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 November 2018

Mitchells & Butlers Retail (No.2) Limited
Income statement for the 52 weeks ended 29 September 2018

		52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
	Note		
Revenue	2	292,936	283,211
Operating costs	3	(279,531)	(266,986)
Separately disclosed items	4	(14,944)	(134,300)
OPERATING LOSS		(1,539)	(118,075)
Finance costs	6	(1,675)	(1,769)
Income from investments	7	5,563	-
PROFIT/(LOSS) BEFORE TAXATION		2,349	(119,844)
Tax credit	8	794	2,465
PROFIT/(LOSS) FOR THE PERIOD		3,143	(117,379)

The above results are derived from continuing operations.

The notes on pages 14 to 32 form an integral part of these financial statements.

Mitchells & Butlers Retail (No.2) Limited
Statement of Comprehensive Income
for the 52 weeks ended 29 September 2018

	Note	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
PROFIT/(LOSS) FOR THE PERIOD		<u>3,143</u>	<u>(117,379)</u>
Items that will not be reclassified subsequently to profit and loss:			
Unrealised (loss)/gain on revaluation of the property portfolio	10	(3,234)	4,498
Tax relating to items not reclassified	8	<u>123</u>	<u>(1,035)</u>
		<u>(3,111)</u>	<u>3,463</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		<u><u>32</u></u>	<u><u>(113,916)</u></u>

The notes on pages 14 to 32 form an integral part of these financial statements.

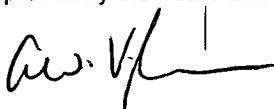
Mitchells & Butlers Retail (No.2) Limited

(Registration number: 3959664)

Balance Sheet as at 29 September 2018

		29 September 2018 £000	30 September 2017 £000
	Note		
NON-CURRENT ASSETS			
Intangible assets	9	77	171
Property, plant and equipment	10	348,694	350,407
Investments in subsidiaries	12	184,192	189,730
Investment in associates	13	4,541	-
Deferred tax asset	19	2,369	2,152
TOTAL NON-CURRENT ASSETS		539,873	542,460
CURRENT ASSETS			
Inventories	14	3,323	3,012
Trade and other receivables	15	27,841	28,893
Cash and cash equivalents		934	995
TOTAL CURRENT ASSETS		32,098	32,900
TOTAL ASSETS		571,971	575,360
CURRENT LIABILITIES			
Trade and other payables	16	(238,931)	(240,453)
Borrowings	17	(16,593)	(18,755)
TOTAL CURRENT LIABILITIES		(255,524)	(259,208)
NET CURRENT LIABILITIES		(223,426)	(226,308)
TOTAL ASSETS LESS CURRENT LIABILITIES		316,447	316,152
NON-CURRENT LIABILITIES			
Borrowings	17	548	824
Deferred tax liabilities	19	(31,802)	(32,508)
Provisions	20	(30,755)	(30,068)
TOTAL NON-CURRENT LIABILITIES		(62,009)	(61,752)
TOTAL LIABILITIES		(317,533)	(320,960)
NET ASSETS		254,438	254,400
EQUITY			
Share capital	21	-	-
Revaluation reserve	21	75,867	78,578
Retained earnings		178,571	175,822
TOTAL EQUITY		254,438	254,400

Approved by the Board and authorised for issue on 21 November 2018. They were signed on its behalf by:


A W Vaughan
Director

The notes on pages 14 to 32 form an integral part of these financial statements

Mitchells & Butlers Retail (No.2) Limited
Statement of Changes in Equity for the 52 weeks ended 29
September 2018

	Share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 24 September 2016	-	74,871	45,873	120,744
Loss for the period	-	-	(117,379)	(117,379)
Other comprehensive income/(expense)	-	3,739	(276)	3,463
Total comprehensive income/(expense)	-	3,739	(117,655)	(113,916)
Transfer to retained earnings	-	(32)	32	-
Capital contribution*	-	-	247,573	247,573
Tax on share-based payments	-	-	(1)	(1)
At 30 September 2017	-	78,578	175,822	254,400
Profit for the period	-	-	3,143	3,143
Other comprehensive expense	-	(2,679)	(432)	(3,111)
Total comprehensive (expense)/income	-	(2,679)	2,711	32
Transfer to retained earnings	-	(32)	32	-
Tax on share-based payments	-	-	6	6
At 29 September 2018	-	75,867	178,571	254,438

* During the prior period, Mitchells & Butlers plc provided a capital contribution to the Company, in the form of a loan waiver.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

1. Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

Basis of preparation

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 share-based payments, requirements of IFRS 7 Financial Instruments: Disclosures, disclosure requirements of IFRS 13 Fair Value Measurement, 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. Where relevant, equivalent disclosures have been given in the Annual Report and Accounts 2018 of Mitchells & Butlers plc.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company's ultimate parent undertaking, Mitchells & Butlers plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitchells & Butlers plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company Secretary, Mitchells & Butlers plc, 27 Fleet Street, Birmingham B3 1JP.

Accounting reference date

The Company's accounting reference date is 30 September. The Company draws up its financial statements to the Saturday directly before or following the accounting reference date, as permitted by section 390 (3) of the Companies Act 2006. The period ended 29 September 2018 includes 52 trading weeks and the period ended 30 September 2017 includes 53 trading weeks.

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.

Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense.

Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical judgements are described in:

- Note 4 – Separately disclosed items
- Note 10 – Property, plant and equipment
- Note 20 – Provisions

Critical estimates are described in:

- Note 10 – Property, plant and equipment
- Note 12 – Investments in subsidiaries
- Note 20 – Provisions

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

1. Accounting policies (continued)

Adoption of new and revised Standards

None of the standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) and effective for the first time in the current period have had a material effect on the financial statements.

Revenue recognition

Revenue is the fair value of goods and services sold to third parties as part of the Company's trading activities, after deducting sales-based taxes, coupons and staff discounts.

The majority of revenue comprises food and beverages sold in the Company's businesses. This revenue is recognised at the point of sale to the customer.

Separately disclosed items

In addition to presenting information on an IFRS basis, the Company also presents adjusted profit information that excludes separately disclosed items. Adjusted profitability measures are presented excluding separately disclosed items as we believe this provides management with useful additional information about the Company's performance and supports a more effective comparison of the Company's trading performance from one period to the next.

Separately disclosed items are those which are separately identified by virtue of their size or incidence and include profit or loss on disposal of properties, movements in the valuation of the property portfolio as a result of the annual revaluation exercise, impairment review of short leasehold and unlicensed properties, restructuring costs and impairment review of investments in subsidiaries, and material onerous lease provision movements.

Property, plant and equipment

The majority of the Group's freehold and long leasehold licensed land and buildings are revalued annually and are therefore held at fair value less depreciation.

Short leasehold buildings (leases with an unexpired lease term of less than 50 years), unlicensed land and buildings and fixtures, fittings and equipment are held at cost less depreciation and impairment.

All land and buildings are disclosed as a single class of asset within the property, plant and equipment table, as we do not consider the short leasehold and unlicensed buildings to be material for separate disclosure.

Assets under construction

Assets under construction are held at cost.

Depreciation

Depreciation is charged to the income statement on a straight-line basis to write off the cost less residual value over the estimated useful life of an asset and commences when an asset is ready for its intended use. Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Freehold land is not depreciated.

Freehold and long leasehold buildings are depreciated so that the difference between their carrying value and estimated residual value is written off over 50 years from the date of acquisition. The residual value of freehold and long leasehold buildings is reassessed each year and is estimated to be equal to the fair value determined in the annual valuation and therefore no depreciation charge is recognised.

Short leasehold buildings, and associated fixtures, fittings and equipment, are depreciated over the shorter of the estimated useful life and the unexpired term of the lease.

Fixtures, fittings and equipment have the following estimated useful lives:

Information technology equipment	3 to 7 years
Fixtures and fittings	3 to 20 years

Disposals

Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sales proceeds and the carrying amount of the asset at the date of disposal.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

1. Accounting policies (continued)

Revaluation

The revaluation utilises valuation multiples, which are determined via third-party inspection of 20% of the sites such that all sites are individually valued approximately every five years; estimates of fair maintainable trade (FMT); and estimated resale value of tenant's fixtures and fittings. Properties are valued as fully operational entities, to include fixtures and fittings but excluding stock and personal goodwill. The value of tenant's fixtures and fittings is then removed from this valuation via reference to its associated resale value. Where sites have been impacted by expansionary capital investment in the preceding 12 months, FMT is taken as the lower of the post investment forecast or the prior year FMT, as the current year trading performance includes a period of closure.

Revaluation (continued)

Valuation multiples derived via third-party inspections determine brand standard multiples which are then used to value the remainder of the non-inspected estate via an extrapolation exercise, with the output of this exercise reviewed at a high level by management and the third-party valuer.

Surpluses which arise from the revaluation exercise are included within other comprehensive income (in the revaluation reserve) unless they are reversing a revaluation adjustment which has been recognised in the income statement previously; in which case an amount equal to a maximum of that recognised in the income statement previously is recognised in income. Where the revaluation exercise gives rise to a deficit, this is reflected directly within the income statement, unless it is reversing a previous revaluation surplus against the same asset; in which case an amount equal to the maximum of the revaluation surplus is recognised within other comprehensive income (in the revaluation reserve).

Impairment

Short leasehold and unlicensed properties (comprising land and buildings and fixtures, fittings and equipment) are reviewed on an outlet basis for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an outlet exceeds its recoverable amount. The recoverable amount is the higher of an outlet's fair value less costs to sell and value in use. Any changes in outlet earnings, or cash flows, the discount rate applied to those cash flows, or the estimate of sales proceeds could give rise to an additional impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately. An impairment reversal is only recognised where there is a change in the estimates used to determine recoverable amounts, not where it results from the passage of time.

Intangible assets - Computer software

Computer software and associated development costs, which are not an integral part of a related item of hardware, are capitalised as an intangible asset and amortised on a straight-line basis over their useful life. The period of amortisation ranges between three and seven years with the majority being five years.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term highly liquid deposits with an original maturity at acquisition of three months or less. Cash held on deposit with an original maturity at acquisition of more than three months is disclosed as other cash deposits.

Trade receivables

Trade and other receivables are recognised and carried at original cost less an allowance for any uncollectable amounts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Trade payables

Trade and other payables are recognised at amortised cost.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

1. Accounting policies (continued)

Taxation

The income tax expense represents both the income tax payable, based on profits for the period, and deferred tax and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense which are not taxable. Income tax is recognised in the income statement except when it relates to items charged or credited directly to equity, in which case the income tax is also charged or credited to equity.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised based on tax laws and rates that have been substantively enacted at the balance sheet date. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Group tax relief

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

Leases

Operating leases - Company as lessee

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and sub-leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised as a liability and a subsequent reduction in the rental expense over the lease term on a straight-line basis.

Premiums paid on acquiring a new lease are spread on a straight-line basis over the lease term. Such premiums are classified in the balance sheet as current or non-current lease premiums, with the current portion being the element which relates to the following period.

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.

Operating leases - Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Pensions

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

Mitchells & Butlers plc, the sponsoring employer, accounts for pensions in accordance with IAS 19 Employee 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.

The total liability in the Mitchells & Butlers plc pension plans, as measured on an IAS 19 basis, is recorded in the financial statements of Mitchells & Butlers plc, the sponsoring employer of the Mitchells & Butlers pension plans.

Share based payments

Share options and share awards are granted to employees of the Company by Mitchells & Butlers plc. Mitchells & Butlers plc accounts for share options and share awards in accordance with IFRS 2 Share-based Payment. The cost of such awards is measured at fair value, excluding the effect of non market-based vesting conditions, on the date of grant. The expense is recognised over the vesting period and is adjusted for the estimated effect of non market-based vesting conditions and forfeitures, on the number of shares that will eventually vest due to employees leaving the Company. Fair values are calculated using either the Black-Scholes, Binomial or Monte Carlo simulation models depending upon the conditions attached to the particular share scheme.

The Company's profit and loss account charge in respect of share-based payments represents an allocation of the overall charge incurred by the Group.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

1. Accounting policies (continued)

Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The company discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Company retains an interest in the former associate and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the company reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2. Revenue

Mitchells & Butlers Retail (No.2) Limited is a wholly owned subsidiary of Mitchells & Butlers Holdings Limited with its operations falling under a single class of business and all residing within the UK. As such the Company reports only a single business segment. Disclosures under IFRS 8 Segmental Reporting are only provided at a Group level and are available in the Mitchells & Butlers plc Annual Report and Accounts 2018.

Revenue is analysed as follows:

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Goods	291,099	281,215
Services	1,837	1,996
Total revenue	<u>292,936</u>	<u>283,211</u>

Revenue from services includes rent receivable of £1,658,000 (2017 £1,965,000) from unlicensed and leased operations.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

3. Operating costs

	Note	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Operating costs are analysed as follows:			
Raw materials and consumables recognised as an expense		82,947	78,877
Changes in inventories of finished goods		(311)	(259)
Employee costs	5	87,762	85,601
Hire of plant & machinery		1,483	1,394
Operating lease expense - property		27,238	25,593
Intercompany costs*		13,779	13,660
Other costs		51,700	47,675
Depreciation expense	10	14,838	14,332
Lease premium amortisation		-	5
Software amortisation	9	95	108
Total operating costs		<u>279,531</u>	<u>266,986</u>

*Intercompany costs include £13,606,000 (2017 £13,485,000) management service charge, £151,000 (2017 £148,000) pension recharge and £22,000 (2017 £27,000) charge for use of brand trademarks.

Fees paid to Deloitte LLP for the audit of the Company's accounts were £12,500 (2017 £12,500). The fee is borne on behalf of the Company by another Group company. Fees paid to Deloitte LLP and their associates for non-audit services are not disclosed for the Company since the Annual Report and Accounts 2018 of Mitchells & Butlers plc, the ultimate parent of Mitchells & Butlers Retail (No.2) Limited discloses such fees on a consolidated basis.

4. Separately disclosed items

Critical accounting judgements

Judgement is used to determine those items which should be separately disclosed to allow a better understanding of the adjusted trading performance of the Company. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.

Separately disclosed items are identified as follows:

- Profit/(loss) arising on property disposals – property disposals are disclosed separately as they are not considered to be part of adjusted trade performance and there is volatility in the size of the profit/(loss) in each accounting period.
- Movement in the valuation of the property portfolio – this is disclosed separately, due to the size and volatility of the movement in property valuation each period, which can be partly driven by movements in the property market. This movement is also not considered to be part of the adjusted trade performance of the Company and would prevent year on year comparability of the Company's trading performance if not separately disclosed.
- Onerous lease provision – this provision is calculated on a site by site basis, with the majority of the additions for the prior period being disclosed separately. The prior period increase was the result of a full review of estate strategy and an update to the discount rate applied in calculating the provision. Due to the size of the resulting increase in the provision, this was disclosed separately.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

4. Separately disclosed items (continued)

The items identified in the current period are as follows:

	Note	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Loss/(profit) on property disposals		2	(264)
Movement in the valuation of the property portfolio:			
Impairment arising from the revaluation	10	2,118	3,820
Impairment of short leasehold and unlicensed properties	10	7,285	11,139
Impairment of lease premiums		-	266
Impairment of software		-	15
Impairment of assets held for sale		-	179
Net movement in the valuation of the property portfolio		9,403	15,419
Other adjusted items:			
Onerous lease provision additions ^b		-	26,505
Impairment of investments ^a	12	5,539	92,632
Restructuring costs		-	8
Total adjusted items		14,944	134,300

- An impairment of £5,539,000 has been recognised against the investment in Mitchells & Butlers Acquisition Company in the period (see note 12). In the prior period an impairment of £92,362,000 was recognised against the investment in Orchid Pubs & Dining Limited. This impairment reflected the reduction in future cash flows as a result of the disposal of a number of sites since the Orchid acquisition and poor trading performance in sites that have received no capital investment since acquisition.
- During the prior period, a review of estate strategy in relation to managed leasehold sites was completed, with specific focus on the challenges around loss-making sites and those located on retail and leisure parks. The losses were considered to be unavoidable for the remaining committed lease term. In addition, the discount rate applied in the calculation was also updated. As a result, the onerous lease provision increased significantly with the majority of this increase recognised as a separately disclosed item in the prior period. The net movement in the onerous lease provision in the current period has been included within adjusted profit as it is immaterial

5. Employee costs

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Wages and salaries	81,810	79,717
Social security costs	5,064	5,233
Pension costs, defined contribution scheme	756	504
Share-based payments*	132	147
Total employee costs	87,762	85,601

* Full disclosure of the share schemes in operation during the period, and their valuations, are provided in the Mitchells & Butlers plc Annual Report and Accounts 2018.

Average number of employees

The average number of persons employed by the Company during the period, including part time employees, was 6,109 (2017 5,971). All employees are retail employees.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

5. Employee costs (continued)

Directors' remuneration

The four 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 £1.2m (2017 £1.1m) in respect of their services to the Group, but it is not practical to allocate this between each of the subsidiary companies for which they act as a Director. At the period end four (2017 four) of the Directors were members of the Group's defined contribution scheme, with one (2017 two) Director also holding accrued service within the Group's defined benefit scheme. During the period three (2017 three) of the Directors were granted share options in the 'PRSP' (Performance Restricted Share Plan) scheme. Details of this scheme are disclosed in the Mitchells & Butlers plc Annual Report Accounts 2018.

The highest paid Director received emoluments of £0.4m (2017 £0.4m), with Company contributions to defined contribution pension schemes of £nil (2017 £nil). This Director also received share options in the PRSP scheme in the period.

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.

In addition, Mitchells & Butlers plc also provides a workplace pension plan in line with the Workplace Pensions Reform Regulations. This automatically enrolls all eligible workers into a Qualifying Workplace Pension Plan.

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 52 weeks ended 29 September 2018, the Mitchells & Butlers plc Group paid £8,000,000 (2017 £7,000,000) 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 52 weeks ended 29 September 2018 was £756,000 (2017 £504,000).

Defined benefit scheme

The defined benefit section of the plan is now closed to future service accrual. At the same time Mitchells & Butlers plc implemented a revised defined contribution benefit structure. The defined benefit liability relates to the MABPP and MABEPP 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.

Measurement of assets and liabilities

The actuarial valuations used for IAS 19 (revised) purposes are based on the results of the latest full actuarial valuation carried out at 31 March 2016 and updated by the schemes' independent qualified actuaries to 29 September 2018. Scheme assets are stated at market value at 29 September 2018 and the liabilities of the schemes have been assessed as at the same date using the projected unit method. IAS 19 (revised) requires that the scheme liabilities are discounted using market yields at the end of the period on high-quality corporate bonds.

Full disclosure of assumptions and the valuation is provided in the Mitchells & Butlers plc Annual Report and Accounts 2018.

Minimum funding requirements

The results of the 2016 actuarial valuation showed a funding deficit of £451m, using a more prudent basis to discount the scheme liabilities than is required by IAS 19 (revised). The Company has subsequently agreed recovery plans for both the Executive and Main schemes in order to close the funding deficit in respect of its pension liabilities. Agreement was reached with the Trustees in relation to the Executive plan on 30 June 2017 and the Main plan on 25 July 2017. In the intervening period, the Group continued to make contributions in line with the previous agreements. The new recovery plans show an unchanged level of cash contributions with no extension to the agreed payment term (£45m per annum indexed with RPI from 1 April 2016 subject to a minimum increase of 0.0% and maximum of 5.0%, until 31 March 2023). The Company has been charged £151,000 (2017 £148,000) by Mitchells & Butlers plc to reflect its share of the total cash contributions in the current period.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

5. Employee costs (continued)

Minimum funding requirements (continued)

Under IFRIC 14, an additional liability is recognised such that the overall pension liability at the period end reflects the schedule of contributions in relation to a minimum funding requirement, should this be higher than the actuarial deficit. The Group IAS 19 (revised) deficit calculated on this basis is £249m (2017 £292m).

In 2024, an additional payment of £13m will be made into escrow, should such further funding be required at that time. This is a contingent liability and is not reflected in the pensions liability in the parent company financial statements as it is not committed.

6. Finance costs

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Intercompany interest	463	380
Other finance costs external	864	1,064
Unwinding of discount on provisions	348	325
Total finance costs	<u>1,675</u>	<u>1,769</u>

7. Income from investments

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Investment Income	<u>5,563</u>	<u>-</u>

During the period, the Company received dividend income of £5,563,000 (2017 £nil) from Mitchells & Butlers Acquisition Company, a subsidiary of the Company.

8. Taxation

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Taxation – income statement		
Current taxation		
UK corporation tax	2,147	(3,128)
Group relief (received)/surrendered for nil payment	<u>(2,147)</u>	<u>3,128</u>
	<u>-</u>	<u>-</u>
Deferred taxation		
Origination and reversal of temporary differences	(1,396)	(2,504)
Adjustments in respect of prior periods	602	39
Total tax credit recognised in the income statement	<u>(794)</u>	<u>(2,465)</u>

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

8. Taxation (continued)

The standard rate of corporation tax applied to the reported profit is 19.0% (2017 19.5%). The applicable rate has changed following the substantive enactment of the Finance (No.2) Act 2015 on 18 November 2015, which reduced the main rate of corporation tax from 20% to 19% from 1 April 2017.

The tax in the income statement for the period is a lower charge (2017 lower credit) than the standard rate of corporation tax in the UK. The differences are reconciled below:

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Profit/(loss) before tax	2,349	(119,844)
Taxation charged/(credited) at the UK standard rate of corporation tax of 19.0% (2017 19.5%)	446	(23,370)
Expenses not deductible	1,231	18,365
Income not taxable	(1,090)	(995)
Group relief	(2,147)	3,128
Adjustments in respect of prior periods	602	39
Effect of different tax rates for deferred tax and corporation tax	164	368
Total tax credit	(794)	(2,465)
Further analysed as tax relating to:		
Profit before tax and adjusted items	803	423
Adjusted items	(1,597)	(2,888)
	(794)	(2,465)

Factors which may affect future tax charges

The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax from 19% to 17% from 1 April 2020. The effect of these changes has been reflected in the closing deferred tax balances at 30 September 2017 and 29 September 2018.

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Taxation – Other comprehensive income		
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Unrealised (loss)/gains due to revaluations - revaluation reserve	(555)	759
Unrealised gains due to revaluations - retained earnings	432	276
Total tax (credit)/charge recognised in other comprehensive income	(123)	1,035

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Taxation relating to items recognised directly in equity		
Deferred tax:		
Tax (credit)/charge relating to share-based payments	(6)	1

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

9. Intangible assets

	Software costs £000
Cost	
At 30 September 2017	467
Additions	3
Disposals*	(21)
At 29 September 2018	449
Amortisation	
At 30 September 2017	296
Amortisation charge	95
Disposals*	(19)
At 29 September 2018	372
Carrying amount	
At 29 September 2018	77
At 30 September 2017	171

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

10. Property, plant and equipment

Critical accounting judgements

The revaluation methodology is determined using management judgement, with advice from third-party valuers. The application of a valuation multiple to the fair maintainable trade of each site is considered the most appropriate method for the Company to determine the fair value of licensed land and buildings. Where sites have been impacted by expansionary capital investment in the preceding 12 months, management judgement is used to determine the most appropriate FMT. The FMT is taken as the lower of the post investment forecast or the prior year FMT, as the current year trading performance includes a period of closure.

Management also use judgement to determine the most appropriate method of reviewing properties for impairment. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations by applying growth rates to determine future cash flows and discounting at an appropriate rate.

Critical accounting estimates

The application of the valuation methodology requires two critical accounting estimates; the estimation of valuation multiples, which are determined via third-party inspections; and an estimate of fair maintainable trade, including reference to historic and future projected income levels. A sensitivity analysis of changes in valuation multiples and FMT, in relation to the properties to which these estimates apply, is provided below. The carrying value of properties to which these estimates apply is £286,591,000 (2017 £287,172,000).

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

10. Property, plant and equipment (continued)

	Land & buildings £000	Fixtures, fittings & equipment £000	Total £000
Cost of valuation			
At 30 September 2017	281,871	118,337	400,208
Additions	8,453	18,481	26,934
Impairment	(9,397)	(3,240)	(12,637)
Disposals ^a	(1,954)	(12,135)	(14,089)
At 29 September 2018	278,973	121,443	400,416
Depreciation			
At 30 September 2017	6,184	43,617	49,801
Provided in the period	1,269	13,569	14,838
Disposals ^a	(1,302)	(11,615)	(12,917)
At 29 September 2018	6,151	45,571	51,722
Carrying amount			
At 29 September 2018	272,822	75,872	348,694
At 30 September 2017	275,687	74,720	350,407

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

Certain assets with a net book value of £42,903,000 (2017 £43,665,000) owned by the Company are subject to a fixed charge in respect of liabilities held by the Mitchells & Butlers Executive Top Up Scheme (MABETUS).

Revaluation of freehold and long leasehold properties

The freehold and long leasehold properties have been valued at fair value, as at 29 September 2018 using information provided by CBRE, independent chartered surveyors. The valuation was carried out in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) (the 'Red Book') assuming each asset is sold as fully operational trading entity. The fair value has been determined having regard to factors such as current and future projected income levels, taking account of location, quality of the pub restaurant and recent market transactions in the sector.

Sensitivity analysis

Changes in either the FMT or the multiple could materially impact the valuation of the freehold and long leasehold properties. The average movement in FMT of revalued properties in recent years is 1.0%. It is estimated that, given the multiplier effect, a 1.0% change in the FMT of the freehold or long leasehold properties would generate an approximate £2,213,000 movement in their valuation.

Multiples are determined at an individual brand level. The average movement in weighted average of all brand multiples in recent years is 0.1. It is estimated that a 0.1 change in the multiple, would generate an approximate £2,512,000 movement in valuation.

Impairment review of short leasehold and unlicensed properties

Short leasehold and unlicensed properties which are not re-valued to fair market value, are reviewed for impairment by comparing site value in use calculations to their carrying values. The value in use calculation uses forecast trading performance cash flows, which are discounted by applying a pre-tax discount rate of 7.5% (2017 7.0%). Any resulting impairment relates to sites with poor trading performance, where the output of the value in use calculation is insufficient to justify their current net book value.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

10. Property, plant and equipment (continued)

Current year valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve or income statement as appropriate. The impact of the revaluations/impairments described above is as follows:

	52 weeks ended 29 September 2018 £000	53 weeks ended 30 September 2017 £000
Income statement		
Revaluation loss charged as an impairment	(7,403)	(8,813)
Reversal of past impairments	5,285	4,993
Total impairment arising from the revaluation	(2,118)	(3,820)
Impairment of short leasehold	(7,285)	(11,139)
Impairment of assets held for sale	-	(179)
	(9,403)	(15,138)
Revaluation reserve		
Unrealised revaluation surplus	8,100	12,825
Reversal of past revaluation surplus	(11,334)	(8,327)
	(3,234)	4,498
 Net decrease in property, plant and equipment	 (12,637)	 (10,640)

The valuation techniques are consistent with the principles in IFRS 13 and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy. Disclosure of key inputs to the valuation are provided in the Consolidated Annual Report and Accounts of Mitchells & Butlers plc.

The split of the net book value of property, plant and equipment are as follows:

29 September 2018	Number of pubs	Net book value ^a £000
Freehold properties	85	266,759
Long leasehold properties	8	19,832
Total revalued properties	93	286,591
Short leasehold properties		53,967
Unlicensed properties		212
Other non-pub assets		5,261
Assets under construction		2,663
Total property, plant and equipment		348,694

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

10. Property, plant and equipment (continued)

30 September 2017	Number of pubs	Net book value ^a £000
Freehold properties	85	265,182
Long leasehold properties	8	21,990
Total revalued properties	93	287,172
Short leasehold properties		57,111
Unlicensed properties		15
Other non-pub assets		2,566
Assets under construction		3,543
Total property, plant and equipment		350,407

a. The carrying value of freehold and long leasehold properties based on their historical cost is £191,641,000 and £12,752,000 respectively (2017 £185,479,000 and £13,261,000).

Year on year movements in valuation multiples are the result of changes in property market conditions.

Assets in the course of construction

Cost at 29 September 2018 includes £2,663,000 (2017 £3,543,000) of assets in the course of construction.

11. Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements in relation to property, plant and equipment was £4,801,000 (2017 £6,070,000).

12. Investments in subsidiaries

Critical accounting estimates

The application of the impairment methodology requires two critical accounting estimates; the forecast of cash flows, and the selection of an appropriate discount rate. A sensitivity analysis of changes in cash flows and discount rates, in relation to the investments to which these estimates apply, is provided below.

	£000
Cost	
At 30 September 2017	778,425
Additions ^a	1
At 29 September 2018	778,426
Provision	
At 30 September 2017	588,695
Impairment ^b	5,539
At 29 September 2018	594,234
Carrying amount	
At 29 September 2018	184,192
At 30 September 2017	189,730

a. The entire share capital of Lander & Cook Limited was acquired on its incorporation on 3 January 2018.

b. During the period, the Company received dividend income of £5,563,000 (2017 £nil) from Mitchells & Butlers Acquisition Company, a subsidiary of the Company. Following receipt of this dividend, the net assets of Mitchells & Butlers Acquisition Company were reduced by £5,563,000. Subsequently the Company's investment of £5,539,000 in Mitchells & Butlers Acquisition Company was fully recovered.

Investments relating to trading entities have been tested for impairment using forecast cash flows, discounted by applying a pre-tax discount rate of 7.5%. No impairment for these entities has been recognised in the current period.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

12. Investments in subsidiaries (continued)

Sensitivity analysis

Changes in forecast cash flows or discount rate could materially impact the recoverability of the investments. It is estimated that a 1% increase in the discount rate would generate an additional impairment of £15,766,000. It is also estimated that a 10% reduction in future cash flows would generate an additional impairment of £13,269,000.

Details of the subsidiaries as at 29 September 2018 are as follows:

Name of subsidiary	Country of incorporation and place of business	Holding	Proportion of voting rights and shares held	Principal activity
Mitchells & Butlers Acquisition Company	England and Wales	Ordinary shares	100%	Non-trading
Ha Ha Bar & Grill Limited	England and Wales	Ordinary shares	100%	Leisure retailing
Intertain (Dining) Limited	England and Wales	Ordinary shares	100%	Non-trading
Orchid Pubs & Dining Limited	England and Wales	Ordinary shares	100%	Leisure retailing
Midco 1 Limited	England and Wales	Ordinary shares	100%	Property leasing
Lander & Cook Limited	England and Wales	Ordinary shares	100%	Dormant

All subsidiaries are a direct investment of the Company.

All of the above companies are registered at 27 Fleet Street, Birmingham, B3 1JP.

13. Associates

The nature of the activities of all the Company's associates is trading in pubs and restaurants, which are seen as complementing the Company's operations and contributing to the Company's overall strategy.

Associates can be analysed as follows:

	Investments £000
At 30 September 2017	-
Additions	4,541
At 29 September 2018	4,541

Details of the associates at the of the period are as follows:

Name of associate	Principal activity	Country of incorporation and operation	2018 Proportion of ownership interest/ voting rights held by the Company	2017 Proportion of ownership interest/ voting rights held by the Company
3Sixty Restaurants Limited ^a	Operator of licensed restaurants	England and Wales	40%	-
Fatboy Pub Company Limited ^b	Operator of licensed restaurants	England and Wales	25%	-

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

13. Associates (continued)

- a. 40% of the shares in 3Sixty Restaurants Limited were acquired on 1 August 2018 for £4,290,000. The Company also holds 40% of voting rights for 3Sixty Restaurants Limited. The Company has determined that it has significant influence over the entity given the proportion of ownership and voting rights held but does not have control. Therefore, the entity is accounted for using the equity method of accounting for associates as described in the accounting policy above. As part of the transaction, a put and call option agreement was entered into, which allows the Company to acquire the remaining 60% share capital of the associate, 3Sixty Restaurants Limited, at any point in time after three years from the initial purchase date. The current shareholders also have the option to sell the remaining 60% to the company, subject to a number of conditions.
- b. 25% of the shares in Fatboy Pub Company Limited were acquired on 19 January 2018 for £251,000. The Company also holds 25% of voting rights for Fatboy Pub Company Limited. The Company has determined that it has significant influence over the entity given the proportion of ownership and voting rights held but does not have control. Therefore, the entity is accounted for using the equity method of accounting for associates as described in the accounting policy above.

14. Inventories

	29 September 2018 £000	30 September 2017 £000
Goods held for resale	<u>3,323</u>	<u>3,012</u>

15. Trade and other receivables

	29 September 2018 £000	30 September 2017 £000
Trade receivables	1,504	564
Amounts owed from group undertakings*	19,016	21,615
Prepayments	7,046	6,472
Other receivables	275	242
Total trade and other receivables	<u>27,841</u>	<u>28,893</u>

* Amounts owed from fellow subsidiary undertakings are repayable on demand. Interest is not charged on all balances. Where interest is charged, it is charged at market rate, based on what can be achieved on corporate deposits.

16. Trade and other payables

	29 September 2018 £000	30 September 2017 £000
Accrued expenses	11,939	11,864
Social security and other taxes	799	813
Other payables	14,223	12,419
Amounts owed to group undertakings*	211,970	215,357
Total trade and other payables	<u>238,931</u>	<u>240,453</u>

* Amounts owed to fellow subsidiary undertakings are repayable on demand. Interest is not charged on all balances. Where interest is charged, it is charged at market rate, based on what can be achieved on corporate deposits.

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

17. Borrowings

	29 September 2018 £000	30 September 2017 £000
Current		
Revolving credit facilities	-	(6,000)
Bank overdrafts	(16,593)	(12,755)
	<u>(16,593)</u>	<u>(18,755)</u>
Non-current		
Revolving credit facilities	548	824
Total borrowings	<u>(16,045)</u>	<u>(17,931)</u>

The Company holds three unsecured committed revolving credit facilities of £50m each, available for general corporate purposes. The amount drawn at 29 September 2018 is £nil (2017 £6,000,000) and the capitalised issue costs amount to £548,000 (2017 £824,000). All committed facilities expire on 31 December 2020.

18. Lease commitments

Operating leases

The vast majority of the Company's leases are industry standard UK pub or commercial property leases which provide for periodic rent reviews to open market value and enjoy statutory rights to renewal on expiry. Generally they do not contain conditions relating to rent escalation, rights to purchase, concessions, residual values or other material provisions of an unusual nature.

Company as lessee

The vast majority of the Company's leases are industry standard UK pub or commercial property leases which provide for periodic rent reviews to open market value and enjoy statutory rights to renewal on expiry. Generally they do not contain conditions relating to rent escalation, rights to purchase, concessions, residual values or other material provisions of an unusual nature.

Company as lessor

The Company leases a small proportion of its unlicensed properties to tenants. The majority of lease agreements have terms of 50 years or less and are classified as operating leases. Where sublet arrangements are in place, future minimum lease receipts are presented gross.

Operating lease commitments – Company as lessee

The total future minimum lease rental payments under non-cancellable operating leases are as follows:

	29 September 2018 £000	30 September 2017 £000
Due within one year	23,704	23,277
Between one and five years	92,101	90,550
After five years	219,240	229,026
	<u>335,045</u>	<u>342,853</u>

Operating lease receivables – Company as lessor

The total future minimum lease rental receipts under non-cancellable operating leases are as follows:

	29 September 2018 £000	30 September 2017 £000
Due within one year	1,595	1,713
Between one and five years	5,387	5,787
After five years	20,353	20,247
	<u>27,335</u>	<u>27,747</u>

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

19. Deferred tax

The deferred tax assets and liabilities recognised in the balance sheet are as follows:

	29 September 2018 £000	30 September 2017 £000
Deferred tax liability		
Revaluation of property	(11,043)	(11,980)
Rolled over gains	(20,214)	(19,775)
Depreciated non-qualifying assets	(545)	(753)
	<u>(31,802)</u>	<u>(32,508)</u>
Deferred tax asset		
Accelerated tax depreciation	2,280	2,076
Share-based payment	65	47
Provisions	24	29
	<u>2,369</u>	<u>2,152</u>
	<u>(29,433)</u>	<u>(30,356)</u>
	52 weeks ended 29 September 2018 £m	53 weeks ended 30 September 2017 £m
Deferred tax in the income statement		
Accelerated tax depreciation	(204)	(978)
Revaluation of property	(814)	(1,041)
Share-based payment	(12)	(1)
Provisions	5	4
Rolled over and gains	439	(312)
Depreciated non-qualifying assets	(208)	(137)
Total deferred tax credit in the income statement	<u>(794)</u>	<u>(2,465)</u>

20. Provisions

The provision for unavoidable losses on onerous property leases has been set up to cover rental payments of vacant or loss-making properties. Payments are expected to continue on these properties for periods of 2 to 19 years.

Critical accounting judgements

Determination of whether a loss is unavoidable requires areas of judgement such as consideration of potential future investment decisions, local conditions which may be impacting on current performance and the opportunity to surrender a lease back to the landlord.

Critical accounting estimates

In relation to onerous property provisions, estimates are required in determining the future EBITDA performance of each site and the potential to exit leases earlier than the expiry date. A sensitivity analysis of changes in these estimates is provided on page 32. The value of provisions to which these estimates apply is £30,030,000 (2017 £30,661,000).

Provisions can be analysed as follows:

	Property leases £000
At 30 September 2017	30,068
Released in the period	(4,012)
Provided in the period	7,638
Unwinding of discount	348
Utilised in the period	(3,287)
At 29 September 2018	<u>30,755</u>

Mitchells & Butlers Retail (No.2) Limited

Notes to the Financial Statements for the 52 weeks ended 29 September 2018 (continued)

20. Provisions (continued)

Sensitivity analysis

The Company has performed a sensitivity analysis on the onerous lease provision calculation using various reasonably possible scenarios. It is estimated that, a 5% decline in the EBITDA performance of the sites included in the provision would generate an additional provision of £648,000. It is also estimated that, should all leases with more than 10 years remaining on the committed lease term be exited two years ahead of expiry, the provision would reduce by £107,000.

21. Equity

Share capital

Allotted, called up and fully paid shares

	29 September 2018		30 September 2017	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

All of the ordinary shares rank equally with respect to voting rights and rights to receive dividends.

Revaluation reserve

The revaluation reserve represents the unrealised gain generated on revaluation of the property estate with effect from 29 September 2007. It comprises the excess of the fair value of the estate over deemed cost, net of related deferred taxation.

22. Contingent liabilities

The Company is party to a composite guarantee with other Group companies which also participate in its day-to-day cash pooling arrangements. Any potential liability is the aggregate gross overdraft of every participant, capped at the amount of cash held within the pooling arrangement by the Company. At 29 September 2018, the Company held cash of £nil (2017 £nil) which is less than the aggregate gross overdraft of all the participant companies. Therefore, at 29 September 2018, the Company had a contingent liability of £nil (2017 £nil) under the composite guarantee.

23. Ultimate parent undertaking

The Company's immediate parent is Mitchells & Butlers Holdings Limited.

The Company's ultimate parent and controlling party is Mitchells & Butlers plc.

Relationship between entity and parents

The parent of the largest and smallest group in which these financial statements are consolidated is Mitchells & Butlers plc, incorporated in the United Kingdom.

The consolidated financial statements of Mitchells & Butlers plc are available from the Company Secretary, 27 Fleet Street, Birmingham, B3 1JP, which is the registered address of the Company.

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