

Mitchells & Butlers Retail Holdings Limited

Report and Financial Statements

For the 52 weeks ended 29 September 2007

Registered Number 04887979

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Mitchells & Butlers Retail Holdings Limited

DIRECTORS' REPORT

For the 52 weeks ended 29 September 2007

The Directors present their report on the affairs of the Company, together with the financial statements and independent auditors' report, for the 52 weeks ended 29 September 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is to act as a holding company within the Mitchells & Butlers group. With effect from 13 November 2003, the Company has acted as the Securitisation Group Parent in connection with the securitisation of the majority of the UK pubs and restaurants of the Mitchells & Butlers group (see below). Under the securitisation arrangements, the Company has no employees or premises and limited permitted activities. Its main purpose is to hold the entire share capital of Mitchells & Butlers Retail Limited ("MAB Retail") and Mitchells & Butlers Finance plc ("MAB Finance").

As Securitisation Group Parent, the Company has contingent liabilities under the securitisation arrangements as detailed in Note 12 to the financial statements. The Company also has to satisfy certain conditions before it can pay dividends. Further details of the securitisation and its terms are provided in Note 1 to the financial statements.

RESULTS AND DIVIDENDS

The profit for the period before taxation amounted to £66,400,000 (2006 £670,900,000) comprising dividends received from MAB Retail. Taxation charged against the profit for the period was £nil (2006 £nil), leaving a profit after tax of £66,400,000 (2006 £670,900,000). Dividends of £66,400,000 (2006 £670,900,000) were paid to the Company's immediate parent company, Mitchells & Butlers Leisure Holdings Limited.

As the Company is non-trading the Directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. Key performance indicators for the Mitchells & Butlers plc group as a whole, which includes the Company, are discussed in the Annual report and Accounts 2007 of Mitchells & Butlers plc.

RISKS AND UNCERTAINTIES

The Company has various investments in other group companies. Because of this the most significant risk facing the Company is that the recoverable value of these investments falls below the carrying value, resulting in the Company recognising impairment losses. The risk of this occurring is currently assessed as low, given the trading history and future prospects for the group.

FUTURE PROSPECTS

The Company is expected to continue to be an intermediate holding company within the Mitchells & Butlers group of companies. Future transactions are expected to be limited to the receipt of inter company dividend income and the payment of dividends.

DIRECTORS

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

T Clarke

B Kennedy

J C D Townsend

K Naffah (resigned 29 January 2008)

Mitchells & Butlers Retail Holdings Limited

DIRECTORS' REPORT

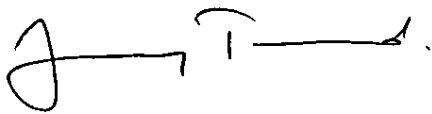
For the 52 weeks ended 29 September 2007

AUDITORS

Ernst & Young LLP continue as auditors under the terms of an elective resolution of the Company passed pursuant to Section 386 of the Companies Act 1985 dispensing with the requirement to appoint auditors annually

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 auditors are unaware, and that each Director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



J C D Townsend

Director

17 March 2008

Mitchells & Butlers Retail Holdings Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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). The financial statements are required by law to 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 those financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF MITCHELLS & BUTLERS RETAIL HOLDINGS LIMITED

We have audited the Company's financial statements for the 52 weeks ended 29 September 2007 which comprise the Profit and Loss Account, the Balance Sheet and the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 29 September 2007 and of its profit for the 52 weeks then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Birmingham

Date

20 March 2008

Mitchells & Butlers Retail Holdings Limited

PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 29 September 2007

		<i>52 weeks ended 29 September 2007 £000</i>	<i>52 weeks ended 30 September 2006 £000</i>
	<i>Notes</i>		
Investment income - from shares in group undertakings	3	66,400	670,900
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND RETAINED PROFIT FOR THE PERIOD	10	66,400	670,900

All activities relate to continuing operations

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

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the 52 weeks ended 29 September 2007

		<i>52 weeks ended 29 September 2007 £000</i>	<i>52 weeks ended 30 September 2006 £000</i>
	<i>Notes</i>		
RETAINED PROFIT FOR THE PERIOD		66,400	670,900
Dividends paid	6	(66,400)	(670,900)
NET INCREASE IN SHAREHOLDERS' FUNDS		-	-
Opening shareholders' funds		203,489	203,489
CLOSING SHAREHOLDERS' FUNDS		203,489	203,489

The notes on pages 7 to 11 form an integral part of these financial statements

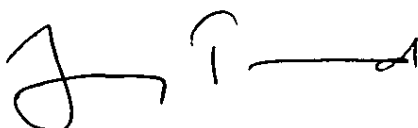
Mitchells & Butlers Retail Holdings Limited

BALANCE SHEET

At 29 September 2007

	<i>Notes</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
FIXED ASSETS			
Investments	7	1,565,050	1 565,050
CREDITORS amounts falling due within one year	8	(1,361,561)	(1,361,561)
NET CURRENT LIABILITIES		<u>(1,361,561)</u>	<u>(1,361,561)</u>
NET ASSETS		<u>203,489</u>	<u>203,489</u>
CAPITAL AND RESERVES			
Share capital	9,10	81,750	81,750
Share premium account	10	121,739	121,739
Profit and loss account	10	-	-
EQUITY SHAREHOLDERS' FUNDS		<u>203,489</u>	<u>203,489</u>

Signed on behalf of the Board



J C D Townsend

Director

17 March 2008

The notes on pages 7 to 11 form an integral part of these financial statements

Mitchells & Butlers Retail Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 September 2007

1 SECURITISATION

On 13 November 2003, the Mitchells & Butlers ('MAB') group refinanced its debt by raising £1,900m through a securitisation of the majority of its UK pubs and restaurants business. Since this date the Company has been Securitisation Group Parent, and subject to the conditions attached to the securitisation (see below)

The securitisation was implemented as follows

- MAB Finance, a subsidiary of the Company, issued £1,900m of secured loan notes to third-party investors. The loan notes were issued in six tranches
- Under an Issuer/Borrower Facility Agreement dated 13 November 2003, amended and restated on 15 September 2006, MAB Retail, also a subsidiary of the Company, borrowed from MAB Finance the proceeds from the sale of the loan notes. These borrowings, whose terms mirror the six tranches of loan notes, are secured on MAB Retail's assets and future income streams therefrom
- MAB Retail used the £1,900m borrowed from MAB Finance to pay facility fees of £23m, settle existing inter-company debt of £515m and lend £1,362m to the Company. This loan to the Company is non-interest bearing (see Note 8 to the Financial Statements)

On 15 September 2006 the MAB group completed a further debt ('tap') issue to borrow an additional £655m and refinance £450m of existing debt at lower cost. This transaction was implemented on substantially the same terms as the original securitisation

The securitisation is governed by various covenants, warranties and events of default which apply to the companies in the securitisation group, including the Company. There are restrictions on the amounts of dividends that the Company can pay. A dividend can only be paid if the securitisation group satisfies the following conditions at the date the payment is intended to be made and in respect of both the previous two quarters and the previous four quarters before the restricted payment is intended to be made

- There has been no loan event of default
- The EBITDA to debt service ratio is more than or equal to 1.7 to 1
- The free cash flow debt service cover ratio is more than or equal to 1.3 to 1

2. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below

Basis of accounting

The financial statements are prepared under the historical cost convention. They have been drawn up to comply with applicable UK accounting standards

Accounting reference date

The Company's accounting reference date is 30 September. The Company has drawn up its financial statements for the 52 weeks to 29 September 2007, the Saturday directly preceding the accounting reference date, as permitted by section 223(3) of the Companies Act 1985. The comparative period is for the 52 weeks ended 30 September 2006

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

Mitchells & Butlers Retail Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 September 2007

2. ACCOUNTING POLICIES (CONTINUED)

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 section 228 of the Companies Act 1985 since the Company is a wholly owned subsidiary undertaking of another UK company.

Deferred taxation

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

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

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

Cash flow

In accordance with FRS1 (Revised) these financial statements do not include a cash flow statement as the Company is a wholly owned subsidiary undertaking of Mitchells & Butlers plc whose financial statements for the 52 weeks ended 29 September 2007 include a consolidated cash flow statement.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The only profit and loss account item before taxation in the period was dividend income of £66,400,000 (2006 £670,900,000) received from MAB Retail, a subsidiary of the Company.

Auditors' remuneration for audit services was £2,000 (2006 £2,000). The fee is borne on behalf of the Company by another group company.

4. STAFF COSTS

The Company has no employees other than the Directors serving during the period. The Directors received no remuneration for their services to this Company.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no tax charge as the Company's only income during the period was dividend income, which is not subject to tax, from MAB Retail, a subsidiary of the Company. The tax rate applicable to the Company is the UK corporation tax rate of 30%. There is no provided or unprovided deferred tax at the balance sheet dates.

6. DIVIDENDS

During the period, the Company paid dividends of £66,400,000 (2006 £670,900,000) to its immediate parent company, Mitchells & Butlers Leisure Holdings Limited.

Mitchells & Butlers Retail Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 September 2007

7. FIXED ASSET INVESTMENTS

*Subsidiary
undertakings
£000*

Cost and net book value at 29 September 2007 and 30 September 2006 1,565,050

In the opinion of the Directors, the value of the subsidiary undertakings is at least equal to the amounts stated above

Details of the significant investments held either directly or indirectly by the Company at 29 September 2007 are set out below

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Mitchells & Butlers Finance plc	England and Wales	Ordinary shares	100%	Investment company
Mitchells & Butlers Retail Limited	England and Wales	Ordinary shares	100%	Trading company operating managed pubs, bars and pub-restaurants
Browns Restaurants Limited (i) (ii)	England and Wales	Ordinary shares	100%	Non-trading
Old Kentucky Restaurants Limited (ii)	England and Wales	Ordinary shares	100%	Trade mark owner
Mitchells & Butlers Leisure Entertainment Limited (i) (ii)	England and Wales	Ordinary shares	100%	Non-trading

(i) These companies have subsidiaries which are either dormant or non-trading

(ii) Investment held indirectly by MAB Retail

A full list of subsidiary undertakings will be annexed to the next annual return of Mitchells & Butlers Retail Holdings Limited to be filed with the Registrar of Companies

8 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2007 £000</i>	<i>2006 £000</i>
Amounts owed to group undertakings	<u>1,361,561</u>	<u>1,361,561</u>

The amount above includes a balance of £1,361,524 000 (2006 £1,361,524,000) which is a non-interest bearing loan from MAB Retail, a subsidiary of the Company and a balance of £37 000 (2006 £37 000) due to MAB Finance in respect of unpaid share capital

Mitchells & Butlers Retail Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 September 2007

9. SHARE CAPITAL

	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Authorised 100,000,102 (2006 100,000,102) shares of £1 each	100,000	100,000
	<hr/>	<hr/>
Allotted, called up and fully paid 81,749,618 (2006 81,749,618) shares of £1 each	81,750	81,750
	<hr/>	<hr/>

10. MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit & loss account £000</i>	<i>Total shareholders' funds £000</i>
At 2 October 2005	81,750	121,739	-	203,489
Retained profit for the period	-	-	670,900	670,900
Dividends paid	-	-	(670,900)	(670,900)
At 30 September 2006	<hr/> 81,750	<hr/> 121,739	<hr/> -	<hr/> 203,489
Retained profit for the period	-	-	66,400	66,400
Dividends paid	-	-	(66,400)	(66,400)
At 29 September 2007	<hr/> 81,750	<hr/> 121,739	<hr/> -	<hr/> 203,489

The Company's ability to distribute its profit and loss account reserve by way of a dividend is restricted by the covenants attached to the securitisation (see Note 1 to the financial statements)

11. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption in FRS 8 as a wholly owned subsidiary not to disclose details of related party transactions with Mitchells & Butlers group companies

12. CONTINGENT LIABILITIES

Pursuant to the securitisation of the business of MAB Retail on 13 November 2003 (see Note 1), the Company is jointly and severally liable with various other companies within the Mitchells & Butlers group, for all advances made by MAB Finance to MAB Retail and other companies within the Mitchells & Butlers group. The carrying value of the borrowings of MAB Retail from MAB Finance under these arrangements was £2,400,909,000 at 29 September 2007.

On 13 November 2003 the Company and certain other members of the Mitchells & Butlers group granted full fixed and floating security over their respective assets and undertaking.

Mitchells & Butlers Retail Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 September 2007

13 ULTIMATE PARENT UNDERTAKING

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

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