

Mitchells & Butlers Retail Holdings Limited

Annual Report and Financial Statements

for the 52 weeks ended 24 September 2022



Mitchells & Butlers Retail Holdings Limited

Strategic Report for the 52 weeks ended 24 September 2022

Mitchells & Butlers Retail Holdings 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 address of the Company's registered office is shown in note 11.

The Directors present their Strategic Report for the 52 weeks ended 24 September 2022. The comparative period is for the 52 weeks ended 25 September 2021.

Fair review of the business

Since 13 November 2003, the Company has acted as the Securitisation Group Parent (parent of the companies listed in note 7) in connection with the securitisation of the majority of the UK pubs and restaurants of the Group. 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").

The profit for the period before taxation was £nil (2021 £nil). Taxation charged against this result for the period was £nil (2021 £nil) leaving a profit after tax of £nil (2021 £nil).

The Company was in a net asset position of £345,590,000 (2021 £345,590,000) at the period end.

Key Performance Indicators

As the Company is non-trading the Directors believe that further 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 Group as a whole, which includes the Company, are discussed in the Annual Report and Accounts 2022 of Mitchells & Butlers plc.

Principal risks and uncertainties

The Company has various investments in other group companies and therefore 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. Its primary investment is in the subsidiary Mitchells & Butlers Retail Limited, which operates trading pubs. In line with the investment risk reported at FY 2021, this risk at FY 2022 remains higher due to the ongoing impact of high and persistent cost inflation initially in energy, wages and food costs. This risk is monitored by Directors on a regular basis.

A detailed impairment review has been performed on the Company's investments as described in note 7.

Future Developments

The Company is expected to continue to be an intermediate holding company within the Group. Future transactions are expected to be limited to the receipt of intercompany dividend income and the payment of dividends.

Approved by the Board on 16 December 2022 and signed on its behalf by:

Andrew Freeman

A D Freeman
Director

Mitchells & Butlers Retail Holdings Limited

Directors' Report for the 52 weeks ended 24 September 2022

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 24 September 2022. The comparative period is for the 52 weeks ended 25 September 2021. Details of future developments can be found in the Strategic Report on page 1.

Dividends

Dividends of £nil (2021 £nil) were paid during the period as disclosed in note 10. The Directors are proposing a final dividend of £nil (2021 £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 2022.

As the Company's only current assets are cash and cash equivalents, the credit risk relating to the Company is considered to be minimal. The liquidity risk relating to the Company is managed as part of the overall Securitisation Group. The most significant liability of the Company is an amount owed to Mitchells & Butlers Retail Limited (see note 8), a subsidiary of the Company within the Securitisation Group (see listed companies in note 7), and as such the liquidity risk is considered to be minimal.

Securitisation

As Securitisation Group Parent, the Company is subject to the conditions attached to the securitisation (see note 2). The Company also has to satisfy certain conditions before it can pay dividends.

During the prior period, and as a result of the ongoing Covid-19 pandemic, revised arrangements regards the secured financing structure were agreed with the controlling creditor of the securitisation and the securitisation trustee. As a result, a series of amendments and waivers to the securitisation covenants were obtained, as detailed in the Mitchells & Butlers plc Annual Report and Accounts 2021. Copies of the Mitchells & Butlers plc Annual Report and Accounts 2021 are available from the registered office at 27 Fleet Street, Birmingham, B3 1JP or via the website www.mbplc.com.

Going Concern

The financial statements have been prepared on a going concern basis, but with material uncertainty arising from the prevailing high level of unpredictability and uncertainty concerning both sales and, particularly, cost inflation. A full assessment of the going concern statement has been provided in note 1. In addition, 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.

As described in note 1, a material uncertainty exists, which may cast significant doubt over the Company's ability to trade as a going concern, in which case it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, after due consideration the Directors have a reasonable expectation that the Company and the Group have sufficient resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements.

Directors of the Company

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

J A Berrow (resigned on 30 April 2022)
M Mottram (appointed on 30 April 2022)
S K Martindale
A D Freeman (appointed on 1 September 2022)
A J M Hughes (appointed on 1 September 2022)
G J McMahon (resigned on 31 August 2022)
L J Miles
A W Vaughan

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.

Mitchells & Butlers Retail Holdings Limited
Directors' Report for the 52 weeks ended 24 September 2022 (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.

External auditor appointment

KPMG LLP were appointed as auditor during the period following Deloitte LLP's resignation after completion of the FY 2021 audit.

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 16 December 2022 and signed on its behalf by:

Andrew Freeman

A D Freeman
Director

Mitchells & Butlers Retail Holdings Limited

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Mitchells & Butlers Retail Holdings Limited (continued)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mitchells & Butlers Retail Holdings Limited ("the Company") for the 52 week period ended 24 September 2022 which comprise the income statement, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 24 September 2022 and of its result for the 52 week period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Company's ability to continue as a going concern is dependent on the continued financial support from its ultimate parent company, Mitchells & Butlers plc. The financial statements of Mitchells & Butlers plc include a material uncertainty related to going concern and therefore the availability of support may be in doubt if required. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company, or to cease its operations, and as they have concluded that the company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated above, they have also concluded that there is a material uncertainty related to going concern.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we found the going concern disclosure in note 1 to be acceptable.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Mitchells & Butlers Retail Holdings Limited's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

Independent Auditor's Report to the members of Mitchells & Butlers Retail Holdings Limited (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This Company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of Mitchells & Butlers Retail Holdings Limited (continued)

Auditor's responsibilities

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 our opinion in an auditor's report.

Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Simon Haydn-Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Snowhill, Birmingham, B4 6GH
16 December 2022

Mitchells & Butlers Retail Holdings Limited
Income statement for the 52 weeks ended 24 September 2022

		52 weeks ended 24 September 2022 £'000	52 weeks ended 25 September 2021 £'000
	Note		
Income from investments	3	-	-
PROFIT BEFORE TAXATION		<hr/> -	<hr/> -
Tax charge	6	-	-
PROFIT FOR THE PERIOD		<hr/> <hr/> -	<hr/> <hr/> -

The above results are derived from continuing operations.

The Company has no comprehensive income or expense other than the profit above.

The notes on pages 11 to 17 form an integral part of these financial statements.

Mitchells & Butlers Retail Holdings Limited

(Registration number: 04887979)

Balance sheet as at 24 September 2022

		24 September 2022 £'000	25 September 2021 £'000
	Note		
NON-CURRENT ASSETS			
Investments in subsidiaries	7	1,707,050	1,707,050
TOTAL NON-CURRENT ASSETS		1,707,050	1,707,050
CURRENT ASSETS			
Cash and cash equivalents		101	101
TOTAL CURRENT ASSETS		101	101
TOTAL ASSETS		1,707,151	1,707,151
CURRENT LIABILITIES			
Trade and other payables	8	(1,361,561)	(1,361,561)
TOTAL CURRENT LIABILITIES		(1,361,561)	(1,361,561)
NET CURRENT LIABILITIES		(1,361,460)	(1,361,460)
TOTAL ASSETS LESS CURRENT LIABILITIES		345,590	345,590
NET ASSETS		345,590	345,590
EQUITY			
Share capital	9	223,750	223,750
Share premium		121,739	121,739
Retained earnings		101	101
TOTAL EQUITY		345,590	345,590

Approved by the Board and authorised for issue on 16 December 2022. They were signed on its behalf by:

Andrew Freeman

A D Freeman
Director

The notes on pages 11 to 17 form an integral part of these financial statements.

Mitchells & Butlers Retail Holdings Limited
Statement of Changes in Equity for the 52 weeks ended 24 September 2022

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 26 September 2020		128,750	121,739	101	250,590
Share capital issued	9	95,000	-	-	95,000
At 25 September 2021		223,750	121,739	101	345,590
Profit for the period		-	-	-	-
Total comprehensive income		-	-	-	-
At 24 September 2022		223,750	121,739	101	345,590

The notes on pages 11 to 17 form an integral part of these financial statements.

Mitchells & Butlers Retail Holdings Limited

Notes to the Financial Statements for the 52 weeks ended 24 September 2022

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 financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Annual Report and Accounts 2022 of Mitchells & Butlers plc.

The financial statements have been prepared on the historical cost basis. 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 24 September 2022 and the comparative period ended 25 September 2021 both include 52 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 financial statements under S400 of Companies Act 2006 since the Company is a wholly owned subsidiary undertaking of another UK company. Group financial statements are prepared by the ultimate parent company.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared performed a going concern assessment which indicates that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its funding from its ultimate parent company, Mitchells and Butlers plc, to meet its liabilities as they fall due for that period.

That assessment is dependent on Mitchells and Butlers plc not seeking repayment of the amounts currently due to the group, which at 24 September 2022 amounted to £1,361,524,000, and providing additional financial support during that period, if required.

Mitchells and Butlers plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the assessment. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, continued support is dependent on the ability of the Mitchells and Butlers plc Group being able to settle its liabilities as they fall due. The Directors of Mitchells and Butlers plc have concluded that a material uncertainty exists over the Mitchells and Butlers plc Group's ability to continue as a going concern, as a result of the following considerations.

The combined impact on the hospitality sector of Covid-19, Brexit and more recently high and persistent cost inflation, initially in energy, wages and food costs, but now evident throughout most of the Group's cost base, has resulted in reduced levels of sales, profits and operating cash flow since March 2020. These factors cast a high degree of uncertainty as to the future financial performance and cash flows of the Group and have been considered by the Group Directors in assessing the ability of the Group to continue as a going concern.

Mitchells & Butlers Retail Holdings Limited

Notes to the Financial Statements for the 52 weeks ended 24 September 2022

1. Accounting policies (continued)

Going concern (continued)

The Group's primary source of borrowings is through ten tranches of fully amortising loan notes with a gross debt value of £1.4bn as at the end of the period. These are secured against the majority of the Group's property and its future income streams. The principal repayment period varies by class of note with maturity dates ranging from 2023 to 2036, with £116m amortisation payments falling due within the going concern period.

The Group also has available a committed unsecured credit facility of £150m which has a maturity date in February 2024. At the balance sheet date there were no drawings under these facilities.

Within the secured debt financing structure there are two main covenants: the level of net worth (being the net asset value of the securitisation group) and, FCF to DSCR. As at 24 September 2022 there was substantial headroom on the net worth covenant. FCF to DSCR represents the multiple of Free cash Flow (being EBITDA less tax and required capital maintenance expenditure) generated by sites within the structure to the cost of debt service (being the repayment of principal, net interest charges and associated fees). This is tested quarterly on both a trailing two-quarter and a four-quarter basis. These tests were waived until January 2022 (two-quarter) and April 2022 (four-quarter) and then set as transitioning to their full level of a minimum of 1.1 times by January 2023.

Unsecured facilities were initially measured only against a liquidity covenant, against which there was substantial headroom, until the end of Q3 FY22. Following this date further covenants were introduced relating to the ratio of EBITDAR to rent plus interest (at a minimum of 1.5 times) and net debt to EBITDA (to be no more than 3.0 times) based on the performance of the unsecured estate, both tested on a half-yearly basis.

In the year ahead the main uncertainties are considered to be the maintenance of growth in sales in the face of pressure on consumer spending power in an environment of falling real wages, and the future outlook for cost inflation across the whole of the cost base but most notably in energy prices, food costs and wages and salaries. The outlook for these is highly uncertain and volatile, particularly energy costs in the second half of FY 2023, and will depend on a number of factors including consumer confidence, global political developments and supply chain disruptions and government policy.

The Group Directors have reviewed the financing arrangements against a forward trading forecast in which they have considered the Group's current financial position. This forecast assumes further growth in sales beyond pre-pandemic levels and on the prior year slightly below the level generated in recent months. Costs are also assumed to continue to increase in line with recent experience blending at an expected increase of c10% across the cost base of the business of approximately £1.8bn. Under this base case the Group is able to stay within revised committed facility financial covenants, albeit with limited headroom, and maintains sufficient liquidity.

The Group Directors have also considered a severe but plausible downside scenario covering adverse movements against the base forward forecast in both sales and cost inflation in which some, but limited, mitigation activity is taken including lower capital expenditure on site remodel activity and a flex down of labour costs in line with reduced sales. In this scenario sales are assumed to remain in growth but at a level further below current run rates, and the impact of unmitigated cost inflation is higher particularly in the areas of food, labour and energy aggregating to 12% of the cost base. In this downside scenario, whilst the Group retains sufficient liquidity throughout the period based on existing facilities, covenants would be breached in the fourth quarter of the year in both secured and unsecured facilities. Under such a scenario the Group Directors believe that, on the basis of previous waivers secured, the strong asset base and longer term trading prospects, waivers should be forthcoming from main stakeholders. However this is not within the Group's control and as a result the Group Directors cannot conclude that the possibility of an un-waived breach of covenant is remote.

After due consideration of these factors, the Group Directors believe that it remains appropriate to prepare the Group financial statements on a going concern basis. However, the circumstances outlined above, in particular the uncertainty concerning sales and cost inflation with the resulting possibility of an un-waived covenant breach, and ultimately the need to renew unsecured facilities on or before February 2024, indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt over the Group's ability to realise their assets and discharge their liabilities in the normal course of business.

Based on their enquiries the Company Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Mitchells & Butlers Retail Holdings Limited

Notes to the Financial Statements for the 52 weeks ended 24 September 2022 (continued)

1. Accounting policies (continued)

Going concern (continued)

Going concern statement

Critical accounting judgements and key sources of estimation uncertainty

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 accounting judgements are described in;

Note 7 – Investment in subsidiaries

There are no key sources of estimation uncertainty in the current or prior period.

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.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment. The value of these investments are reviewed annually for impairment by comparing the recoverable amount with carrying value. Recoverable amount is deemed as being either an enterprise value where the subsidiary is a trading entity or net asset value where the subsidiary has no trading assets.

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 payables

Trade and other payables are recognised at amortised cost.

Income from investments

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Taxation

The income tax charge/credit represents both the income tax receivable/payable, based on profits/losses 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.

Group tax relief

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

Mitchells & Butlers Retail Holdings Limited

Notes to the Financial Statements for the 52 weeks ended 24 September 2022 (continued)

2. Securitisation

On 13 November 2003, the Mitchells & Butlers plc ('MAB') Group refinanced its debt by raising £1,900m through the 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. The companies within the Securitisation Group are listed in note 7.

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.

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.

During the prior period, and as a result of the ongoing Covid-19 pandemic, revised arrangements regards the secured financing structure were agreed with the controlling creditor of the securitisation and the securitisation trustee. As a result, a series of amendments and waivers to the securitisation covenants were obtained, as detailed in the Mitchells & Butlers plc Annual Report and Accounts 2021. Copies of the Mitchells & Butlers plc Annual Report and Accounts 2021 are available from the registered office at 27 Fleet Street, Birmingham, B3 1JP or via the website www.mbpplc.com.

3. Income from investments

During the period the Company received dividend income of £nil (2021 £nil) from Mitchells & Butlers Retail Limited, a subsidiary of the company.

4. Operating costs

Fees paid to KPMG LLP for the audit of the Company's financial statements were £1,500 (2021 £1,500, to Deloitte LLP). The fee is borne on behalf of the Company by another Group company. Fees paid to KPMG LLP and their associates for non-audit services are not disclosed for the Company since the Annual Report and Accounts 2022 of Mitchells & Butlers plc, the ultimate parent of Mitchells & Butlers Retail Holdings Limited discloses such fees on a consolidated basis.

5. Employees and Directors

The Company does not have any direct employees in the current or prior period. Directors received no emoluments for their services to this Company in the current or prior period.

Directors' remuneration

The eight Directors (2021 five) who served during the period were all employed by another Group company (Mitchells & Butlers Leisure Retail Limited) and are also Directors of other subsidiary companies of the Mitchells & Butlers plc Group. The Directors received total remuneration of £1.4m (2021 £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 six (2021 five) of the Directors were members of the Group's defined contribution scheme, with one (2021 one) Director also holding accrued service within the Group's defined benefit scheme. During the period, five (2021 four) of the Directors were granted share options in the 'RSP' (Restricted Share Plan) scheme. Details of these schemes are disclosed in the Mitchells & Butlers plc Annual Report Accounts 2022.

The highest paid Director received emoluments of £0.4m (2021 £0.3m), with Company contributions to defined contribution pension schemes of £nil (2021 £nil). This Director was also granted share options in the RSP scheme in the current and prior period.

Mitchells & Butlers Retail Holdings Limited
Notes to the Financial Statements for the 52 weeks ended 24 September 2022 (continued)

6. Taxation

	52 weeks ended 24 September 2022 £'000	52 weeks ended 25 September 2021 £'000
Taxation – income statement		
Current taxation		
UK corporation tax	-	-
	-	-

The standard rate of corporation tax applied to the reported profit is 19.0% (2021 19.0%).

The tax charge in the income statement for the period is the same as (2021 same as) the standard rate of corporation tax in the UK.

The differences are reconciled below:

	52 weeks ended 24 September 2022 £'000	52 weeks ended 25 September 2021 £'000
Profit before tax	-	-
Taxation charged at UK standard rate of corporation tax of 19.0% (2021 19.0%)	--	-
Expenses not deductible	-	(5,433)
UK-UK transfer pricing – imputed interest expense	-	5,433
Total tax charge	-	-

Factors which may affect future tax charges

The Finance Act 2021 increased the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. This change has no impact on these financial statements'

Mitchells & Butlers Retail Holdings Limited
Notes to the Financial Statements for the 52 weeks ended 24 September 2022 (continued)

7. Investments in subsidiaries

Critical accounting judgements - impairment

For the investment impairment review, judgement has been applied to determine the most appropriate forecast to use as a result of the impact of Covid-19 and cost inflation on site profitability. Forecasts for cash flows of trading subsidiaries have been based on the overall Group forecast for FY 2023 to FY25 that was in place at the balance sheet date.

	£'000
Cost	
At 25 September 2021 and at 24 September 2022	<u>1,707,050</u>
Carrying amount	
At 24 September 2022	<u>1,707,050</u>
At 25 September 2021	<u>1,707,050</u>

Investments in trading subsidiaries have been tested for impairment using pre-tax forecast cash flows, discounted by applying a pre-tax discount rate of 9.65% (2021 9.6%) and a UK long term growth rate of 2% growth per annum (2021 1.0%). The pre-tax discount rate applied to the pre-tax forecast cash flows is derived from the Group's post-tax weighted average cost of capital (WACC). The long-term growth rate is based on up to date economic data points. As a result, no impairment (2021 £nil) has been recognised.

Investments in non-trading companies are tested against the net assets of that company with the resulting FY 2022 review also generating no impairment.

Details of the subsidiaries as at 24 September 2022 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 Retail Limited ^a	England and Wales	Ordinary shares	100%	Leisure Retailing
Mitchells & Butlers Finance plc ^a	England and Wales	Ordinary shares	100%	Finance company
Old Kentucky Restaurants Limited	England and Wales	Ordinary shares	100%	Trademark ownership
Browns Restaurant (Brighton) Limited	England and Wales	Ordinary shares	100%	Dormant
Browns Restaurant (Bristol) Limited	England and Wales	Ordinary shares	100%	Dormant
Browns Restaurant (Cambridge) Limited	England and Wales	Ordinary shares	100%	Dormant
Browns Restaurant (London) Limited	England and Wales	Ordinary shares	100%	Dormant
Browns Restaurant (Oxford) Limited	England and Wales	Ordinary shares	100%	Dormant
Browns Restaurants Limited	England and Wales	Ordinary shares	100%	Dormant

a. indicates direct investment of the Company.

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

Mitchells & Butlers Retail Holdings Limited
Notes to the Financial Statements for the 52 weeks ended 24 September 2022 (continued)

8. Trade and other payables

	24 September 2022 £'000	25 September 2021 £'000
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 (2021 £1,361,524,000) which is a non-interest bearing loan repayable on demand from Mitchells & Butlers Retail Limited, a subsidiary of the Company, and a balance of £37,000 (2021 £37,000) which is a non-interest bearing balance repayable on demand to Mitchells & Butlers Finance plc, a subsidiary of the Company, in respect of unpaid share capital.

9. Equity

Share Capital

Allotted, called up and fully paid	24 September 2022		25 September 2021	
	No.	£'000	No.	£'000
Ordinary shares of £1 each	<u>223,749,618</u>	<u>223,750</u>	<u>223,749,618</u>	<u>223,750</u>
	<u>223,749,618</u>	<u>223,750</u>	<u>223,749,618</u>	<u>223,750</u>

In the prior period, 95 million ordinary shares of £1 each were issued and subscribed for by Mitchells & Butlers Leisure Holdings Limited.

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

Share premium

The share premium account represents amounts received in excess of the nominal value of shares on issue of new shares.

10. Dividends

During the period, the Company paid no dividend (2021 £nil) based on the number of ordinary shares in issue at the time of the payment. Dividend payments are made by the Company to its immediate parent company, Mitchells & Butlers Leisure Holdings Limited.

The Directors are proposing a final dividend of £nil (2021 £nil).

11. Ultimate parent undertaking

The Company's immediate parent is Mitchells & Butlers Leisure 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 and Wales.