Mitchells & Butlers plc

Interim

~~Initial~~ Accounts for the 28 weeks ended 15 April 2003

Registered Number: 4551498

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INITIAL ACCOUNTS

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 3, is made with a view to distinguishing the respective responsibilities of the Directors and of the Auditors in relation to the initial accounts.

The Directors have prepared initial accounts for the period to 15 April 2003 and are therefore required to ensure that they are properly prepared in accordance with Section 273 of the Companies Act 1985.

Following discussions with the Auditors, the Directors consider that, in preparing the initial accounts on pages 4 to 13 inclusive, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. The accounts have been prepared on a going concern basis as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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

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

INDEPENDENT AUDITORS' REPORT TO MITCHELLS & BUTLERS PLC UNDER SECTION 273 (4) OF THE COMPANIES ACT 1985

We have audited the initial accounts of Mitchells & Butlers plc for the period from 2 October 2002, the date of incorporation, to 15 April 2003 which comprise the profit and loss account, statement of total recognised gains and losses, reconciliation of shareholders' funds, balance sheet, cash flow statement, and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company in accordance with Section 273(4) of the Companies Act 1985 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 for our work or for this report.

Respective responsibilities of directors and auditors

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

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

We report to the Company our opinion as to whether the initial accounts are properly prepared in accordance with the Companies Act 1985. If our opinion is qualified to the effect that the initial accounts have not been so prepared, we also report to the Company if, in our opinion, the matter in respect of which our report is qualified is material for determining by reference to items mentioned in Section 270(2) of the Companies Act 1985, whether the proposed distribution would contravene the relevant section of that Act.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the initial accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the initial accounts 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 initial accounts 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 initial accounts.

Opinion

In our opinion the initial accounts for the period from 2 October 2002, the date of incorporation, to 15 April 2003 have been properly prepared within the meaning of Section 273 of the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham
Date 11 November 2003

PROFIT AND LOSS ACCOUNT
for the 28 weeks ended 15 April 2003

	Note	*28 weeks ended 15 April 2003 £m*
Separation costs		(1)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1)
Tax on loss on ordinary activities		-
RETAINED LOSS FOR THE PERIOD	9	(1)

STATEMENT OF RECOGNISED GAINS AND LOSSES
for the 28 weeks ended 15 April 2003

	28 weeks ended 15 April 2003 £m
Retained loss for period	(1)
Revaluation gain	480
TOTAL RECOGNISED GAINS FOR THE PERIOD	479

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the 28 weeks ended 15 April 2003

	28 weeks ended 15 April 2003 £m
Total recognised gains for the period	479
Issue of shares	3,640
Return of capital to shareholders	(3,078)
NET ADDITION TO SHAREHOLDERS' FUNDS	1,041
Shareholders' funds on incorporation	-
CLOSING SHAREHOLDERS' FUNDS	1,041

Mitchells & Butlers plc

BALANCE SHEET
at 15 April 2003

	Note	*15 April 2003* *£m*
FIXED ASSETS		
Investments	2	1,744
CURRENT ASSETS		
Debtors: amounts falling due within one year	3	665
Debtors: amounts falling due after one year	3	7
Investments	4	23
Cash at bank and in hand		23
		718
CREDITORS: amounts falling due within one year	5	(781)
NET CURRENT LIABILITIES		(63)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,681
CREDITORS: amounts falling due after more than one year	6	(640)
NET ASSETS		1,041
CAPITAL AND RESERVES		
Share capital	8, 9	37
Revaluation reserve	9	-
Profit and loss account reserve	9	1,004
SHAREHOLDERS' FUNDS		1,041

Signed on behalf of the Board

T Clarke
K. Naffah

Tim Clarke
Karim Naffah
Date

Mitchells & Butlers plc

CASH FLOW STATEMENT
for the 28 weeks ended 15 April 2003

		28 weeks ended 15 April 2003
	£m	*£m*
OPERATING ACTIVITIES		-
SEPARATION COSTS PAID		(1)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Prepaid bank facility fees		(11)
NET CASH FLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(12)
MANAGEMENT OF LIQUID RESOURCES		
Investment in short-term deposits		(23)
FINANCING		
Draw down under syndicated loan facility	640	
Investment in Mitchells & Butlers plc discount notes by group companies	55	
Loan from group company	19	
Repayment of inter-company balances of subsidiaries on separation from Six Continents PLC	(657)	
		57
INCREASE IN CASH AND OVERDRAFTS		22

NOTES TO THE ACCOUNTS
for the 28 weeks ended 15 April 2003

1. 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 accounts are prepared under the historical cost conversion, modified to include the revaluation of certain fixed asset investments. They have been drawn up to comply with applicable accounting standards.

Consolidation

The accounts contain information about the individual Company and do not contain financial information of the group for which the Company is a parent.

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, in accordance with FRS 19.

Investments

Fixed asset investments are stated individually at cost or market value, where readily ascertainable, less any provision for permanent diminution in value.

Comparatives

Comparative figures are not included in the accounts as the Company was incorporated on 2 October 2002.

2. FIXED ASSET INVESTMENTS

	Subsidiary undertakings		
	Six Continents PLC £m	*Other £m*	*Total £m*
COST:			
On incorporation	-	-	-
Additions	4,342	1,744	6,086
Pre-acquisition dividend	(1,744)	-	(1,744)
Revaluation	480	-	480
Disposals	(3,078)	-	(3,078)
At 15 April 2003	-	1,744	1,744
AMOUNTS PROVIDED:			
On incorporation and at 15 April 2003	-	-	-
NET BOOK VALUE at 15 April 2003	-	1,744	1,744

2. FIXED ASSET INVESTMENTS (CONTINUED)

On 11 April 2003, the Company acquired 100% of the issued share capital of Six Continents PLC following implementation of a court approved Scheme of Arrangement under Section 425 of the Companies Act 1985. Shareholders of Six Continents PLC were allotted one Mitchells & Butlers plc share and an entitlement to a cash payment of 81 pence per share for each Six Continents PLC share held. This resulted in the issue by the Company of 866,665,032 ordinary shares of £4.20 each plus an undertaking to pay £702m in cash (see note 5). The cash payment was made on 23 April 2003 (see note 11).

On 12 April 2003, the Company acquired the leisure retailing subsidiaries of Six Continents PLC for £1,744m and also received a dividend from Six Continents PLC for the same amount. The dividend was paid out of the pre-acquisition profits of Six Continents PLC and has therefore been credited to the cost of investment. No cash was exchanged in respect of these transactions.

On 15 April 2003, the investment in Six Continents PLC was revalued to its market value of £3,078m creating a revaluation reserve of £480m (see note 9). On the same day and following a court approved reduction in capital (see note 8), the investment in Six Continents PLC was transferred to InterContinental Hotels Group PLC and, in return, InterContinental Hotels Group PLC issued one ordinary share to the Company's shareholders for each share held in the Company. The revaluation reserve became realised at the same time (see note 9).

Mitchells & Butlers plc is the beneficial owner of all of the equity share capital, either itself or through subsidiary undertakings, of the following principal operating companies:

Name of subsidiary	*Country of registration*	*Country of operation*	*Nature of business*
Mitchells & Butlers Retail Ltd	England and Wales	United Kingdom	Leisure retailing
Mitchells & Butlers Retail Germany GmbH*	Germany	Germany	Leisure retailing
Standard Commercial Property Developments Ltd*	England and Wales	United Kingdom	Property development

* shares held directly by Mitchells & Butlers plc.

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

3. DEBTORS

	15 April 2003		
	Due within one year	*Due after more than one year*	*Total*
	£m	*£m*	*£m*
Amounts owed by subsidiary undertakings	657	-	657
Prepayments	8	7	15
	665	7	672

NOTES TO THE ACCOUNTS
for the 28 weeks ended 15 April 2003

4. CURRENT ASSET INVESTMENTS

Current asset investments comprise short-term deposits with a maturity period of more than 24 hours. Short term deposits with a maturity period of less than 24 hours are classified as cash.

5. CREDITORS

	15 April 2003	
	Due within one year £m	***Due after more than one year £m***
Borrowings (see note 6)	1	640
Accruals	4	-
Amount payable in respect of the acquisition of Six Continents PLC	702	-
Amounts owed to subsidiary undertakings	74	-
	781	640

6. BORROWINGS

	Within one year £m	***After one year £m***	***Total £m***
Overdrafts	1	-	1
Syndicated loan facility	-	640	640
	1	640	641

All borrowings are unsecured.
Borrowings under the syndicated loan facility are repayable between two and five years.

	£m
Facilities committed by banks:	
Utilised	640
Unutilised	860
	1,500
Unutilised facilities expire:	
After one year but before two years	500
Between two and five years	360
	860

NOTES TO THE ACCOUNTS
for the 28 weeks ended 15 April 2003

7. NET DEBT

	On Incorporation £m	*Cash Flow* £m	*At 15 April 2003* £m	*Analysis by currency* *Sterling* £m	*Euro* £m
Cash at bank and overdrafts:					
Short-term deposits*		23	23	23	-
Overdrafts	-	(1)	(1)	(1)	-
Total cash at bank and overdrafts	-	22	22	22	-
Liquid resources:					
Short-term deposits**	-	23	23	-	23
Financing:					
Borrowings due after more than one year	-	(640)	(640)	(640)	-
NET DEBT	-	(595)	(595)	(618)	23

* with a maturity period of not more than 24 hours
** with a maturity period of more than 24 hours

All borrowings and deposits bear interest at variable rates based on LIBOR for the relevant currency. The book value of all borrowings and deposits approximate to their fair values.

8. CALLED UP SHARE CAPITAL

	15 April 2003 *Authorised* No.	*Allotted, called up and fully paid* No.	£m
Redeemable preference shares of £50,000 each	1	1	-
Redeemable deferred shares of 1 pence each	2	2	-
Ordinary shares of 5 pence each	2,017,764,000	734,461,900	37

On incorporation, the Company issued two ordinary shares of £1 each.

On 6 February 2003, the two ordinary shares of £1 each in issue were sub-divided into ordinary shares of 1 pence each and one redeemable preference share of £50,000 and two redeemable deferred shares of 1 pence each were issued.

On 9 April 2003, 4,000 ordinary shares of 1 pence each were issued and a 1 for 420 share consolidation took place leaving 10 shares of £4.20 each in issue.

NOTES TO THE ACCOUNTS
for the 28 weeks ended 15 April 2003

8. **CALLED UP SHARE CAPITAL (CONTINUED)**

On 11 April 2003, 866,665,032 ordinary shares of £4.20 each were issued to the shareholders of Six Continents PLC (see note 2). The consideration for the shares issued was £3,640m.

On 13 April 2003, all ordinary shares of £4.20 each in issue were sub-divided into ordinary shares of 0.1 pence each and a 1 for 4,956 share consolidation took place leaving 734,461,900 shares of £4.956 each in issue. The net effect was a 50 for 59 share consolidation of the Company's ordinary share capital.

On 15 April 2003, the Court approved a reduction in the nominal share capital from £4.956 per share to 5 pence per share. Of the total amount reduced of £3,603m, an amount equivalent to the market value of Six Continents PLC of £3,078m was returned to shareholders by the transfer of Six Continents PLC to InterContinental Hotels Group PLC and the issue by that company of ordinary shares to the Company's shareholders and the remainder was credited to distributable reserves.

On 17 May 2003, the redeemable preference share and redeemable deferred shares were redeemed at par value.

9. **SHARE CAPITAL AND RESERVES**

	Share capital £m	*Revaluation reserve £m*	*Profit & loss account reserve £m*	*Total £m*
On incorporation	-	-	-	-
Issue of shares	3,640	-	-	3,640
Revaluation of investments (see note 2)	-	480	-	480
Reduction of capital				
- returned to shareholders	(3,078)	-	-	(3,078)
- credited to reserves	(525)	-	525	-
Realised on disposal of investments	-	(480)	480	-
Retained loss	-	-	(1)	(1)
	37	-	1,004	1,041

The profit and loss account reserve is wholly distributable.

10. **CONTINGENT LIABILITIES**

The Company is party to a composite guarantee with other group companies in connection with its day-to-day cash pooling arrangements. Any potential liability is capped at the level of in hand balances held by the Company under these arrangements.

The Company has given indemnities in respect of the disposal of certain companies previously within the Six Continents group. It is the view of the Directors that, other than to the extent that liabilities have been provided for in the accounts of a subsidiary undertaking, such indemnities are not expected to result in financial loss.

NOTES TO THE ACCOUNTS
for the 28 weeks ended 15 April 2003

11. POST BALANCE SHEET EVENTS

On 22 April 2003, a further £710m was drawn down under the syndicated loan facility agreement in order to facilitate the payment of £702m referred to in Note 2.

12. OTHER INFORMATION

The Company was incorporated as Hackplimco (No. 111) plc on 2 October 2002. On 4 February 2003, it changed its name to Mitchells & Butlers plc.

Mitchells & Butlers plc is the holding company for the Mitchells & Butlers group of companies whoose primary trade is leisure retailing in the United Kingdom. Its share capital is traded on the London Stock Exchange. The group was created from the separation of Six Continents PLC into two separately listed companies on 15 April 2003; Mitchells & Butlers plc and InterContinental Hotels Group PLC.