

# **Mitchells & Butlers Leisure Holdings Limited**

Annual Report and Financial Statements

for the 52 weeks ended 24 September 2022

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# **Mitchells & Butlers Leisure Holdings Limited**

## **Strategic Report for the 52 weeks ended 24 September 2022**

Mitchells & Butlers Leisure 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 & Butlers group of companies ("the Group").

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**

The principal activity of Mitchells & Butlers Leisure Holdings Limited is as an intermediate holding company within the Group.

The loss for the period before taxation amounted to £233,341,716 (2021 loss of £30). Taxation credited against the loss for the period was £nil (2021 £nil) leaving a loss after tax of £233,341,716 (2021 £30). The Company was in a net asset position of £362,757,394 (2021 £346,099,111) 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 Mitchells & Butlers plc Group as a whole, which includes the Company, are discussed in the Annual Report and Accounts 2022 of Mitchells & Butlers plc.

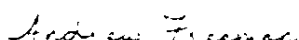
### **Principal risks and uncertainties**

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. In the current period, the Company invested a further £250m in Mitchells & Butlers Leisure Retail Limited for newly issued share capital. As a result, an impairment of £233m has been recognised against the investment (see note 7 for further details). There is a risk of further impairment occurring against the Company's investments which will be dependent on the future trading performance and, in particular, the impact of cost inflation on the trading subsidiaries. Future trading prospects are discussed further in the going concern section of note 1 to the financial statements. This risk is monitored by the Directors on a regular basis.

### **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 18 January 2023 and signed on its behalf by:



A D Freeman  
Director

# **Mitchells & Butlers Leisure 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 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 paid during the period are 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.

### **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**

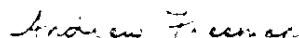
The Directors who held office during the period and up to the date of this report were as follows:

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

Approved by the Board on 18 January 2023 and signed on its behalf by:



A D Freeman  
Director

## **Mitchells & Butlers Leisure 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.

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

		52 weeks ended 24 September 2022	52 weeks ended 25 September 2021
	Note	£	£
Operating costs	2	(29)	(30)
Separately disclosed items	4	<u>(233,342,430)</u>	<u>-</u>
<b>OPERATING LOSS</b>		<b>(233,342,459)</b>	<b>(30)</b>
Finance income	5	<u>743</u>	<u>-</u>
<b>LOSS BEFORE TAXATION</b>		<b>(233,341,716)</b>	<b>(30)</b>
Tax charge	6	-	-
<b>LOSS FOR THE PERIOD</b>		<u><b>(233,341,716)</b></u>	<u><b>(30)</b></u>

The above results are derived from continuing operations.

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

The notes on pages 7 to 14 form an integral part of these financial statements.

**Mitchells & Butlers Leisure Holdings Limited**  
(Registration number: 02608173)  
**Balance Sheet as at 24 September 2022**

		24 September 2022	25 September 2021
	Note	£	£
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	7	362,146,852	345,489,282
<b>TOTAL NON-CURRENT ASSETS</b>		<u>362,146,852</u>	<u>345,489,282</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		610,545	609,831
<b>TOTAL CURRENT ASSETS</b>		<u>610,545</u>	<u>609,831</u>
<b>TOTAL ASSETS</b>		<u>362,757,397</u>	<u>346,099,113</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	(2)	(2)
<b>TOTAL CURRENT LIABILITIES</b>		<u>(2)</u>	<u>(2)</u>
<b>NET CURRENT ASSETS</b>		<u>610,543</u>	<u>609,829</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>362,757,395</u>	<u>346,099,111</u>
<b>NET ASSETS</b>		<u>362,757,395</u>	<u>346,099,111</u>
<b>EQUITY</b>			
Share capital	9	258,666,671	258,666,670
Share premium	9	-	-
Retained earnings		104,090,724	87,432,441
<b>TOTAL EQUITY</b>		<u>362,757,395</u>	<u>346,099,111</u>

For the 52 weeks ended 24 September 2022 the Company was entitled to exemption from appointing auditors under section 479a of the Companies Act 2006.

Members have not required the Company to obtain an audit of its accounts in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibility for:

- (i) ensuring the Company keeps accounting records which comply with section 386, and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial period, and of its profit and loss for the financial period in accordance with section 396, and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the Company.

Approved by the Board and authorised for issue on 18 January 2023. They were signed on its behalf by:

*A D Freeman*

A D Freeman  
Director

The notes on pages 7 to 13 form an integral part of these financial statements.

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

		Share capital £	Share premium £	Retained earnings £	Total £
	Note				
<b>At 26 September 2020</b>		<b>163,666,670</b>	-	<b>87,432,471</b>	<b>251,099,141</b>
Loss for the period		-	-	(30)	(30)
Total comprehensive expense		-	-	(30)	(30)
Share capital issued	9	95,000,000	-	-	95,000,000
<b>At 25 September 2021</b>		<b>258,666,670</b>	-	<b>87,432,441</b>	<b>346,099,111</b>
Loss for the period		-	-	(233,341,716)	(233,341,716)
Total comprehensive expense		-	-	(233,341,716)	(233,341,716)
Share capital issued	9	1	249,999,999	-	250,000,000
Share premium reduction	9	-	(249,999,999)	249,999,999	-
<b>At 24 September 2022</b>		<b>258,666,671</b>	-	<b>104,090,724</b>	<b>362,757,395</b>

The notes on pages 7 to 14 form an integral part of these financial statements.

# **Mitchells & Butlers Leisure 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 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 within the UK and in accordance with the Companies Act 2006 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 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.

#### **Restatement**

During the period, the Company has restated the investments in subsidiaries cost and accumulated provision amounts (see note 7). The restatement is to reflect the disposal of two subsidiary investments in companies that were dissolved in the prior period. This has resulted in a decrease in the cost of investment in subsidiaries and the provision for impairment against investments in subsidiaries of £232,598. As the investments in both companies had been fully provided against there is no net impact on the prior period balance sheet.

#### **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 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 £2, 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.



# **Mitchells & Butlers Leisure Holdings Limited**

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

### **1. Accounting policies (continued)**

#### **Going concern (continued)**

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.

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.

# **Mitchells & Butlers Leisure Holdings Limited**

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

### **1. Accounting policies (continued)**

#### **Going concern (continued)**

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.

#### **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 4 – Separately disclosed items

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

#### **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 fair value and subsequently recognised at amortised cost.

#### **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 impairment review of investments in subsidiaries.

#### **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 expense represents the income tax payable, based on profits for the period, 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.

#### **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 Leisure Holdings Limited**  
**Notes to the Financial Statements for the 52 weeks ended 24 September 2022 (continued)**

**2. Operating costs**

	52 weeks ended 24 September 2022 £000	52 weeks ended 25 September 2021 £000
Operating costs are analysed as follows:		
Bank charges	29	30
Total operating costs	<u>29</u>	<u>30</u>

**3. 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). Details of this scheme 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 also received share options in the RSP scheme in the period.

**4. Separately disclosed items**

**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:

- Impairment of investments – this is disclosed separately, as the movement is 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.

The items identified in the current period are as follows:

	Note	52 weeks ended 24 September 2022 £	52 weeks ended 25 September 2021 £
Impairment of investments	a	233,342,430	-
Total separately disclosed items		<u>233,342,430</u>	<u>-</u>

- a. An impairment has been recognised in the current period against the investment in Mitchells & Butlers Leisure Retail Limited. See note 7 for further details.

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

**5. Finance income**

	52 weeks ended 24 September 2022 £	52 weeks ended 25 September 2021 £
Intercompany interest received <sup>a</sup>	<u>743</u>	<u>-</u>

a. Finance income is received on cash balances held in the cash pooling arrangements described in note 11.

**6. Taxation**

	52 weeks ended 24 September 2022 £	52 weeks ended 25 September 2021 £
<b>Taxation – income statement</b>		
<b>Current taxation</b>		
UK corporation tax	(136)	6
Group relief received/(surrendered)	<u>136</u>	<u>(6)</u>
Total tax expense recognised in the income statement	<u>-</u>	<u>-</u>

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

The tax in the income statement for the period is a lower credit (2021 lower credit) than the standard rate of corporation tax in the UK.

The differences are reconciled below:

	52 weeks ended 24 September 2022 £	52 weeks ended 25 September 2021 £
Loss before tax	<u>(233,341,716)</u>	<u>(30)</u>
Taxation credit at the UK standard rate of corporation tax of 19.0% (2021 19.0%)	44,334,926	6
Expenses not deductible	(44,335,062)	-
Group relief received/(surrendered)	<u>136</u>	<u>(6)</u>
Total tax credit	<u>-</u>	<u>-</u>

**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. The effect of this change has no impact on these financial statements.

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

**7. Investments in subsidiaries**

	£
<b>Cost</b>	
At 25 September 2021 (restated <sup>a</sup> )	350,482,785
Additions <sup>b</sup>	250,000,000
Disposals <sup>c</sup>	<u>(4,993,503)</u>
At 24 September 2022	<u>595,489,282</u>
<b>Provision</b>	
At 25 September 2021 (restated <sup>a</sup> )	4,993,503
Disposals <sup>c</sup>	<u>(4,993,503)</u>
Impairment	233,342,430
At 24 September 2022	<u>233,342,430</u>
<b>Carrying amount</b>	
At 24 September 2022	<u>362,146,852</u>
At 25 September 2021	<u>345,489,282</u>

- a. As described in note 1, the restatement has reduced both the cost and provision at 25 September 2021 by £232,598, to reflect the disposal of investments in Crownhill Estates (Derriford) Limited and East London Pubs and Restaurants Limited, which were dissolved in a prior period. Both investments had been fully provided against, and therefore there is no net impact on the balance sheet.
- b. During the current period the Company subscribed for 1 ordinary share (2021 95 million shares) of £1 nominal value, at a subscription price of £250,000,000 each (2021 £1 each) in Mitchells & Butlers Leisure Retail Limited.
- c. The investment in Lastbrew Limited has been disposed in the current period, as Lastbrew Limited was dissolved on 4 January 2022. There is no net impact on the balance sheet or income statement as the investment had been fully impaired.
- d. Following the investment of £250m in Mitchells & Butlers Leisure Retail Limited, an impairment review has resulted in the recognition of £233,342,430 impairment in the current period. The impairment is as a result of the net assets of Mitchells & Butlers Leisure Retail Limited being insufficient to support the increased investment.

Investments in trading companies have been tested for impairment using forecast cash flows, discounted by applying a pre-tax discount rate of 9.65% (2021 9.6%). For the purposes of the calculation of the recoverable amount, the cash flow projections include 2.0% (2021 1.0%) of growth per annum.

Investments in other companies are tested against the net assets of that Company.

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

**7. Investments in subsidiaries (continued)**

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	England and Wales	Ordinary shares	100%	Leisure Retailing
Mitchells & Butlers Leisure Retail Limited <sup>a</sup>	England and Wales	Ordinary shares	100%	Service Company
Mitchells & Butlers Finance plc	England and Wales	Ordinary shares	100%	Finance company
Mitchells & Butlers Retail Holdings Limited <sup>a</sup>	England and Wales	Ordinary shares	100%	Holding 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
Mitchells & Butlers Healthcare Trustee Limited <sup>a</sup>	England and Wales	Ordinary shares	100%	Healthcare trustee

a. indicates direct investment of the Company.

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

**8. Trade and other payables**

	24 September 2022 £	25 September 2021 £
Amounts owed to group undertakings <sup>a</sup>	<u>2</u>	<u>2</u>
Total trade and other payables	<u>2</u>	<u>2</u>

a. Amounts owed to group undertakings are non-interest bearing and repayable on demand.

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

**9. Equity**

**Share capital and premium**

Aliotted, called up and fully paid	24 September 2022		25 September 2021	
	No.	£	No.	£
Ordinary shares of £1 each	258,666,671	258,666,671	258,666,670	258,666,670
	258,666,671	258,666,671	258,666,670	258,666,670

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

During the period 1 (2021 95 million) ordinary shares of £1 each were issued and subscribed for by Mitchells & Butlers Holdings Limited, for total consideration of £250,000,000 (2021 £95,000,000). This resulted in the recognition of £1 (2021 £95,000,000) share capital and £249,999,999 (2021 £nil) share premium.

Following this transaction, a capital reduction of £249,999,999 was made resulting in a reduction of £249,999,999 of the share premium account, with a corresponding increase to retained earnings.

**10. Dividends**

During the period, the Company paid dividends of £nil (2021 £nil) to its immediate parent company, Mitchells & Butlers Holdings Limited.

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

**11. 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 24 September 2022, the Company held cash of £610,544 (2021 £609,831) which is less than the aggregate gross overdraft of all the participant companies. Therefore, at 24 September 2022, the Company had a contingent liability of £610,544 (2021 £609,831) under the composite guarantee.

**12. 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 and Wales.