REGISTERED NUMBER: 0045618

MISSOURI TOPCO LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13 WEEKS ENDED 25 MAY 2019

Missouri Topco Limited

Contents

	Page
Results of operations	1
Condensed consolidated income statement	3
Statement of comprehensive income	4
Condensed consolidated balance sheet	5
Condensed consolidated cash flow statement	6
Condensed consolidated statement of changes in shareholders’ equity	7
Notes to the financial statements	9

Missouri Topco Limited

Results of operations for the 13 weeks ended 25 May 2019

This is the first quarter results to reflect the impact of the adoption of IFRS 16 'Leases'. As reported in the audited year end financial statements as at 23rd February 2019, the adoption of the new accounting standard has a material impact on the results for the period with particular impact on selling and distribution costs within cost of sales, and net finance costs. The presentation of the statement of cash flows for the period is also affected by IFRS 16, with a large increase in cash flows from operating activities offset with an increase in cash outflows from financing activities. The impact of these changes is explained in detail in note 2.

To aid the user of the accounts, the below summary reflects both the results for the period under IFRS 16 as reflected on the face of the primary statements, as well as the underlying business performance under the historic accounting standards (IAS17) to enable comparison with prior periods.

Revenue

Revenue increased by 2.9% to £273.5m in the 13 week period ended 25 May 2019. (13 week period ended 26 May 2018: £265.9m; 52 week period ended 23 February 2019: £1,103.9m). The change to IFRS 16 had no impact on revenue recognition.

Cost of sales and gross profit

Cost of sales increased by 1.0% to £236.0m in the 13 week period ended 25 May 2019. (13 week period ended 26 May 2018: £233.6m; 52 week period ended 23 February 2019: £975.5m). The underlying cost of sales under historic accounting standards increased by 3.9% to £242.7m in the 13 week period ended 25 May 2019.

Gross profit increased by 16.1% to £37.5m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £32.3m; 52 week period ended 23 February 2019: £128.4m). Underlying gross profit under historic accounting standards decreased by 4.6% to £30.8m in the 13 week period ended 25 May 2019.

Gross profit as a percentage of revenue increased to 13.7% in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: 12.1%; 52 week period ended 23 February 2019: 11.6%). Underlying gross profit as a percentage of sales decreased to 11.3% under historic accounting standards in the 13 week period ended 25 May 2019.

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) decreased by £1.1m to £14.3m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £15.4m; 52 week period ended 23 February 2019: £61.0m). Underlying administrative expenses (including exceptional items) were not affected by IFRS 16.

Exceptional items of £0.9m were credited to the income statement in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £0.1m cost; 52 week period ended 23 February 2019: £1.5m cost).

Operating profit

Operating profit pre exceptional items increased by £5.3m to £22.3m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £17.0m; 52 week period ended 23 February 2019: £68.9m). Underlying operating profit pre exceptional items under historic accounting standards decreased by £1.4m to £15.6m in the 13 week period ended 25 May 2019.

Missouri Topco Limited

Results of operations for the 13 weeks ended 25 May 2019 (continued)

Net finance costs

Net finance costs (including exceptional items) were £21.9m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £9.3m; 52 week period ended 23 February 2019: £37.3m). Underlying net finance costs (including exceptional items) under historic accounting standards were £9.5m in the 13 week period ended 25 May 2019. The impact of IFRS16 on net finance costs is explained in more detail in note 2.

Exceptional finance expense of £nil occurred in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £nil; 52 week period ended 23 February 2019: £nil).

Taxation

Taxation in the 13 week period ended 25 May 2019 was a £0.3m charge (13 week period ended 26 May 2018: £1.6m charge; 52 week period ended 23 February 2019: £6.6m charge). Taxation in the 13 week period ended 25 May 2019 under IAS 17 would be a £1.5m charge.

Profit for the period

The profit in the 13 week period ended 25 May 2019 was £1.0m (13 week period ended 26 May 2018: £5.9m; 52 week period ended 23 February 2019: £23.5m). Underlying profit for the period under historic accounting standards was £5.5m in the 13 week period ended 25 May 2019.

Cash flow

Cash flows from operating activities increased by £32.0m to £39.6m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £7.6m; 52 week period ended 23 February 2019: £61.1m). Underlying cash flows from operating activities under historic accounting standards increased by £5.4m to £13.0m in the 13 week period ended 25 May 2019.

Net cash used in investing activities was £14.0m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £9.3m; 52 week period ended 23 February 2019: £50.8m).

Net cash used in financing activities was £26.9m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £nil; 52 week period ended 23 February 2019: £nil). Underlying net cash used in financing activities under historic accounting standards was £0.3m in the 13 week period ended 25 May 2019

Cash decreased by £1.3m in the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £1.7m decrease; 52 weeks ended 23 February 2019: £10.3m increase). The cash balance as at 25 May 2019 was £71.2m.

Missouri Topco Limited

Condensed consolidated income statement

	Note	**13 weeks ended 25 May 2019 under IFRS16 £'m**	13 weeks ended 26 May 2018 under IAS17 £'m	52 weeks ended 23 February 2019 Under IAS 17 £'m
Revenue	3	**273.5**	265.9	1,103.9
Cost of sales	3	**(236.0)**	(233.6)	(975.5)
Gross profit	3	**37.5**	32.3	128.4
Administrative expenses (including exceptional items)	3	**(14.3)**	(15.4)	(61.0)
Operating profit (including exceptional items)	3	**23.2**	16.9	67.4
Operating profit pre exceptional items		**22.3**	17.0	68.9
Exceptional items – administrative expenses	13	**0.9**	(0.1)	(1.5)
Operating profit		**23.2**	16.9	67.4
Finance costs		**(22.0)**	(9.4)	(38.0)
Finance income		**0.1**	0.1	0.7
Exceptional finance expense		**-**	-	-
Net finance costs		**(21.9)**	(9.3)	(37.3)
Profit before income tax and exceptional items		**0.4**	7.6	31.6
Total exceptional items	13	**0.9**	(0.1)	(1.5)
Profit before income tax		**1.3**	7.5	30.1
Income tax	5	**(0.3)**	(1.6)	(6.6)
Profit for the period		**1.0**	5.9	23.5
Attributable to:				
Equity holders of the parent		**1.0**	5.9	23.5
Profit for the period		**1.0**	5.9	23.5

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

Statement of comprehensive income

	13 weeks ended 25 May 2019 Under IFRS 16 £'m	13 weeks ended 26 May 2018 under IAS 17 £'m	52 weeks ended 23 February 2019 under IAS 17 £'m
Profit for the period	**1.0**	5.9	23.5
Other comprehensive income/(expenditure):			
Cash flow hedges	**16.7**	31.5	50.7
Income tax element of cash flow hedges	**(3.0)**	(6.0)	(9.6)
Total other comprehensive income, net of income tax	**13.7**	25.5	41.1
Total comprehensive income	**14.7**	31.4	64.6

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

Condensed consolidated balance sheet

	Note	**25 May 2019 under IFRS 16 £'m**	26 May 2018 under IAS 17 £'m	23 February 2019 under IAS 17 £'m
Assets				
Property, plant and equipment		**220.0**	207.7	217.7
Right-of-use assets	2	**490.6**	-	-
Intangible assets		**42.9**	32.2	40.5
Financial assets – derivative financial instruments	7	**7.8**	1.5	3.6
Total non-current assets		**761.3**	241.4	261.8
Inventories – goods for resale		**145.9**	121.3	133.9
Trade and other receivables		**20.5**	28.0	29.7
Financial assets – derivative financial instruments	7	**17.4**	2.1	5.6
Cash and cash equivalents		**71.2**	60.5	72.5
Total current assets		**255.0**	211.9	241.7
Total assets		**1,016.3**	453.3	503.5
Liabilities				
Financial Liabilities – derivative financial instruments		**(0.3)**	(10.1)	(1.4)
Lease liabilities	2	**(102.1)**	-	-
Trade and other payables		**(176.7)**	(146.5)	(174.3)
Current income tax liabilities		**(1.7)**	(3.2)	(2.7)
Provisions for other liabilities and charges		**-**	(0.5)	(0.5)
Total current liabilities		**(280.8)**	(160.3)	(178.9)
Financial liabilities – borrowings	6	**(475.4)**	(474.2)	(475.0)
Lease liabilities	2	**(435.2)**	-	-
Financial liabilities – derivative financial instruments	7	**-**	(6.6)	(0.4)
Trade and other payables		**-**	(40.7)	(41.1)
Deferred income tax liabilities		**(7.6)**	-	(4.6)
Provisions for other liabilities and charges	8	**-**	(1.2)	(0.7)
Total non-current liabilities		**(918.2)**	(522.7)	(521.8)
Total liabilities		**(1,199.0)**	(683.0)	(700.7)
Net liabilities		**(182.7)**	(229.7)	(197.2)
Shareholders' deficit				
Share capital		**17.3**	17.3	17.3
Share premium		**385.6**	385.6	385.6
Merger reserve		**(774.3)**	(774.3)	(774.3)
Hedge reserve		**18.8**	(10.5)	5.1
Capital redemption reserve		**5.7**	5.7	5.7
Warrant reserve		**3.1**	3.1	3.1
Retained earnings		**161.1**	143.4	160.3
Total shareholders' deficit		**(182.7)**	(229.7)	(197.2)

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

Notes to the financial statements

Condensed consolidated cash flow statement

	Note	**13 weeks ended 25 May 2019 under IFRS 16 £'m**	13 weeks ended 26 May 2018 under IAS 17 £'m	52 weeks ended 23 February 2019 under IAS 17 £'m
Cash flows from operating activities				
Cash generated	9	**41.2**	8.5	103.7
Interest paid		**(0.2)**	(0.2)	(37.2)
Income tax paid		**(1.4)**	(0.7)	(5.4)
Net cash generated from / (used in) operating activities		**39.6**	7.6	61.1
Cash flows from investing activities				
Purchases of property, plant and equipment		**(11.2)**	(7.7)	(33.8)
Purchases of intangible assets		**(2.9)**	(1.7)	(17.7)
Interest received		**0.1**	0.1	0.7
Net cash used in investing activities		**(14.0)**	(9.3)	(50.8)
Cash flows from financing activities				
Bonds redeemed		**-**	-	-
Early redemption charge		**-**	-	-
Bonds issued - capital		**-**	-	-
Bonds issued - costs		**-**	-	-
Repayment of lease liabilities		**(26.6)**	-	-
Repurchase of own shares		**(0.3)**	-	-
Net cash generated used in financing activities		**(26.9)**	-	-
Net (decrease) / increase in cash and cash equivalents		**(1.3)**	(1.7)	10.3
Cash and cash equivalents at the beginning of the period		**72.5**	62.2	62.2
Cash and cash equivalents at the end of the period		**71.2**	60.5	72.5

The notes on pages 9 to 19 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

Condensed consolidated statement of changes in shareholders' equity

Group

	Note	Share capital £'m	Share premium £'m	Merger reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Retained earnings £'m	Total equity £'m
As at 25 February 2018		**17.3**	**385.6**	**(774.3)**	**(36.0)**	**5.7**	**3.1**	**137.4**	**(261.2)**
Comprehensive income									
Profit for the period		-	-	-	-	-	-	5.9	**5.9**
Total profit for the period		-	-	-	-	-	-	5.9	**5.9**
Other comprehensive income									
Cash flow hedges									
- fair value loss in the period		-	-	-	31.7	-	-	-	**31.7**
- transfers to inventory		-	-	-	(0.2)	-	-	-	**(0.2)**
- tax element of cash flow hedges		-	-	-	(6.0)	-	-	-	**(6.0)**
Total cash flow hedges, net of tax		-	-	-	25.5	-	-	-	**25.5**
Total other comprehensive income, net of tax		-	-	-	25.5	-	-	-	**25.5**
Transactions with owners									
Fair value charge for subscription for 'B' shares		-	-	-	-	-	-	0.1	**0.1**
Total transactions with owners		-	-	-	-	-	-	0.1	**0.1**
As at 26 May 2018		**17.3**	**385.6**	**(774.3)**	**(10.5)**	**5.7**	**3.1**	**143.4**	**(229.7)**

Missouri Topco Limited

Condensed consolidated statement of changes in shareholders' equity (continued)

Group

	Note	Share capital £'m	Share premium £'m	Merger reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Retained earnings £'m	Total equity £'m
As at 24 February 2019		**17.3**	**385.6**	**(774.3)**	**5.1**	**5.7**	**3.1**	**160.3**	**(197.2)**
Comprehensive income									
Profit for the period		-	-	-	-	-	-	1.0	**1.0**
Total profit for the period		-	-	-		-	-	1.0	**1.0**
Other comprehensive income									
Cash flow hedges									
- fair value loss in the period		-	-	-	17.4	-	-	-	**17.4**
- transfers to inventory		-	-	-	(0.7)	-	-	-	**(0.7)**
- tax element of cash flow hedges		-	-	-	(3.0)	-	-	-	**(3.0)**
Total cash flow hedges, net of tax		-	-	-	13.7	-	-	-	**13.7**
Total other comprehensive income, net of tax		-	-	-	13.7	-	-	-	**13.7**
Transactions with owners									
Fair value charge for subscription for 'B' shares		-	-	-	-	-	-	0.1	**0.1**
Repurchase of own shares								(0.3)	**(0.3)**
Total transactions with owners		-	-	-	-	-	-	(0.2)	**(0.2)**
As at 25 May 2019		**17.3**	**385.6**	**(774.3)**	**18.8**	**5.7**	**3.1**	**161.1**	**(182.7)**

Missouri Topco Limited

Notes to the financial statements

1. General information

The Company is incorporated and domiciled in Guernsey, all subsidiary companies are incorporated and domiciled in the UK. The Company is limited by shares. The financial statements are presented in sterling, which is the Group's functional and presentational currency. The Group's principal place of business is Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

These condensed consolidated interim financial statements were approved for issue on 8 July 2019.

2. Summary of accounting policies and new standards

Basis of preparation

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements (the policy for recognising and measuring income taxes in the period is described in note 5).

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the 53 weeks ended 29 February 2020.

IFRS 16 'Leases' impact

The Group has initially adopted IFRS 16 Leases from 24 February 2019. Amendments to IAS 12 are also effective from 24th February 2019 however this does not have a material impact on the Group's financial statements.

The group has applied IFRS 16 using the modified B approach. Accordingly, the comparative information presented for the periods ending 26 May 2018 and 23 February 2019 have not been restated. The details of the changes in accounting policies are disclosed below.

Lessee and lessor treatment

The Group leases many assets including retail stores, distribution centres, vehicles, and other equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

The Group sub-leases some of its properties. Under IFRS 16 the sub-lease contracts are classified as gross investments within debtors.

Transition and significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate adjusted for market related data.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in the expectation on whether a termination option will be exercised.

Missouri Topco Limited

Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

Income statement - impact for the period

As a result of applying IFRS 16, during the period the group recognised £18.7m of depreciation on right-of-use assets and £12.4m of interest on lease liabilities. Under historic accounting standards (IAS 17) the group would have recognised operating lease rental charges of £25.4m.

	13 weeks ended 25 May 2019 under IFRS 16	IAS 17 rent charge	IFRS 16 depreciation	IFRS 16 interest charge	13 weeks ended 25 May 2019 under IAS 17
	£'m	£'m	£'m	£'m	£'m
Total Revenue	**273.5**	**-**	**-**	**-**	**273.5**
Cost of goods sold - pre exceptional items	(138.7)	-	-	-	(138.7)
Selling expenses - pre exceptional items	(83.8)	(24.6)	17.6	-	(90.8)
Distribution expenses	(13.5)	(0.7)	1.0	-	(13.2)
Total cost of sales	**(236.0)**	**(25.3)**	**18.6**	**-**	**242.7**
Gross profit	**37.5**	**(25.3)**	**18.6**	**-**	**30.8**
Administrative expenses - pre exceptional	(15.2)	(0.1)	0.1	-	(15.2)
Exceptional items- administrative income	0.9	-	-	-	0.9
Administrative expenses	**(14.3)**	**(0.1)**	**0.1**	**-**	**(14.3)**
Operating profit	**23.2**	**(25.4)**	**18.7**	**-**	**16.5**
Finance costs	(22.0)	-	-	12.4	(9.6)
Finance income	0.1	-	-	-	0.1
Net finance costs	**(21.9)**	**-**	**-**	**12.4**	**(9.5)**
Profit before tax and exceptional items	0.4	-	-	-	6.1
Total exceptional items	0.9	-	-	-	0.9
Profit before income tax	**1.3**	**(25.4)**	**18.7**	**12.4**	**7.0**
Tax Charge	(0.3)	5.6	(4.1)	(2.7)	(1.5)
Profit after tax	**1.0**	**(19.8)**	**14.6**	**9.7**	**5.5**

Missouri Topco Limited

Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

Balance sheet - impact for the period

The balance sheet under IFRS 16 as at 25 May 2019, as shown on page 5 of these financial statements includes right-of-use assets of £490.6m and lease liabilities of £537.3m. The impact that would have been created by continuing to recognise the balance sheet under the historic accounting conventions (IAS 17) is reflected below:

	IFRS 16 25 May 2019 £'m	Transitional balances £'m	Impact in Period £'m	IAS 17 25 May 2019 £'m
Assets				
Right-of-use assets	**490.6**	(513.7)	23.1	**-**
Other non-current assets	**270.7**	-	-	**270.7**
Total non-current assets	**761.3**	**(513.7)**	**23.1**	**270.7**
Trade and other receivables	**20.5**	5.3	1.7	**27.5**
Other current assets	**234.5**	-	0.6	**235.1**
Total current assets	**255.0**	**5.3**	**2.3**	**262.6**
Total assets	**1,016.3**	**(508.4)**	**25.4**	**533.3**
Liabilities				
Trade and other payables	**(176.7)**	(6.6)	(0.5)	**(183.8)**
Lease liabilities	**(102.1)**	2.2	99.9	**-**
Other current liabilities	**(2.0)**	-	(1.2)	**(3.2)**
Total current liabilities	**(280.8)**	**(4.4)**	**98.2**	**(187.0)**
Lease liabilities	**(435.2)**	553.9	(118.7)	**-**
Other non-current liabilities	**(483.0)**	(41.1)	(0.4)	**(524.5)**
Total non-current liabilities	**(918.2)**	**512.8**	**(119.1)**	**(524.5)**
Total liabilities	**(1,199.0)**	**508.4**	**(20.9)**	**(711.5)**
Net liabilities	**(182.7)**	**-**	**4.5**	**(178.2)**
Shareholders' deficit				
Total shareholders' deficit	**(182.7)**	**-**	**4.5**	**(178.2)**

Cash flow - impact for the period

Although the underlying cash balance is unchanged under IFRS 16 the impact from changing the classification of lease costs significantly increases cash flows from operating activities, offsetting this change with an increase in cash outflows from financing activities.

Missouri Topco Limited

Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

	13 weeks ended 25 May 2019 Under IFRS 16 £'m	Impact of lease classification £'m	**13 weeks ended 25 May 2019 Under IAS 17 £'m**
Cash generated from operations			
Operating profit	**23.2**	(6.7)	**16.5**
Adjustments for:			
Depreciation	**25.6**	(18.7)	**6.9**
Amortisation of intangibles	**2.5**	-	**2.5**
Non cash exceptional items	-	-	-
Share based compensation charge	**0.1**	-	**0.1**
Hedge accounting	**0.1**	-	**0.1**
Operating cash flows before movements in working capital	**51.5**	**(25.4)**	**26.1**
Movements in working capital:			
Decrease/(increase) in inventories	**(11.5)**	(0.6)	**(12.1)**
Decrease in trade and other receivables	**1.9**	(1.6)	**0.3**
(Decrease)/increase in trade and other payables	**(0.7)**	1.0	**0.3**
Net cash flows from operating activities	**41.2**	**(26.6)**	**14.6**
Interest paid	**(0.2)**	-	**(0.2)**
Income tax paid	**(1.4)**	-	**(1.4)**
Net cash generated from/(used in) operating activities	**39.6**	**(26.6)**	**13.0**
Cash flows from investing activities			
Purchases of property, plant and equipment	**(11.2)**	-	**(11.2)**
Purchases of intangible assets	**(2.9)**	-	**(2.9)**
Interest received	**0.1**	-	**0.1**
Net cash used in investing activities	**(14.0)**	-	**(14.0)**
Cash flows from financing activities			
Bonds redeemed	-	-	-
Early redemption charge	-	-	-
Bonds issued - capital	-	-	-
Bonds issued - costs	-	-	-
Repayment of lease liabilities	**(26.6)**	26.6	-
Repurchase of own shares	**(0.3)**	-	**(0.3)**
Net cash generated used in financing activities	**(26.9)**	**26.6**	**(0.3)**
Net decrease in cash and cash equivalents	**(1.3)**	-	**(1.3)**
Cash and cash equivalents at the beginning of the period	**72.5**	-	**72.5**
Cash and cash equivalents at the end of the period	**71.2**	-	**71.2**

Missouri Topco Limited

Notes to the financial statements (continued)

3. Operating profit

	13 weeks ended 25 May 2019 under IFRS 16	13 weeks ended 26 May 2018 under IAS 17	52 weeks ended 23 February 2019 IAS 17
	£'m	£'m	£'m
Total Revenue	**273.5**	265.9	1,103.9
Cost of goods sold	**(138.7)**	(132.8)	(576.1)
Selling expenses	**(83.8)**	(88.3)	(352.3)
Distribution expenses	**(13.5)**	(12.5)	(47.1)
Total cost of sales	**(236.0)**	(233.6)	(975.5)
Gross profit	**37.5**	32.3	128.4
Administrative expenses - pre exceptional items	**(15.2)**	(15.3)	(59.5)
Exceptional items- administrative income/ (expenses)	**0.9**	(0.1)	(1.5)
Administrative expenses	**(14.3)**	(15.4)	(61.0)
Operating profit	**23.2**	16.9	67.4

Further details of exceptional items are given in note 13.

Missouri Topco Limited

Notes to the financial statements (continued)

4. Segment Reporting

The chief operating decision-maker has been identified as the Board of Directors. The Directors consider there to be one operating and reportable segment, being that of the sale of clothing and homewares through out of town retail outlets, primarily through the Matalan fascia, in the United Kingdom, and online.

Internal reports reviewed regularly by the Board provide information to allow the chief operating decision-maker to allocate resources and make decisions about the operations. The internal reporting focuses on the Group as a whole and does not identify individual segments. This set of condensed consolidated interim financial statements is therefore presented as a single reportable segment.

The chief operating decision-maker relies primarily on EBITDA before exceptional items to assess the performance of the Group and make decisions about resources to be allocated to the segment. This can be reconciled to statutory operating profit as follows:

	13 weeks ended 25 May 2019 under IFRS 16	13 weeks ended 26 May 2018 under IAS 17	52 weeks ended 23 February 2019 under IAS 17
	£'m	£'m	£'m
Operating profit	**23.2**	16.9	67.4
Depreciation and amortisation	**28.1**	7.8	33.5
Exceptional items	**(0.9)**	0.1	1.5
EBITDA pre exceptionals	**50.4**	24.8	102.4

Reconciliation to IAS 17 EBITDA

EBITDA pre exceptionals under IFRS 16	**50.4**		
Increase in cost of sales	(25.3)		
Increase in administrative expenses	(0.1)		
EBITDA pre exceptionals under IAS 17	**25.0**	24.8	102.4

The performance of the Group is subject to seasonal peaks. The Group traditionally performs well during the late spring and early summer and over the Christmas season.

Whilst the e-commerce business represents a significant opportunity for future growth within the Group, it does not yet represent a significant portion of the operating results of the Group. E-commerce is therefore not reported as a separate operating segment by the Group for internal or external reporting purposes.

5. Income tax

Income tax for the 13 week period ended 25 May 2019 is charged at 23.1% (13 weeks ended 26 May 2018: 21.3%; 52 weeks ended 23 February 2019: 21.9%) of profit representing the best estimate of the effective annual income tax rate expected for the full year, applied to the pre-tax profit for the 13 week periods.

The effective annual income tax rate of 23.1% for the period is higher than the standard rate of corporation tax in the UK of 19.0% at the end of May 2019 (May 2018: 19.0%, February 2019: 19.0%). The key reconciling items relate to non-deductible expenses. The rate of corporation tax is based on a weighted average rate. A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

6. Financial liabilities – borrowings

	25 May 2019	26 May 2018	23 February 2019
	£'m	£'m	£'m
Non-current			
6.75% First Lien Secured Notes (net of £3.3m issue costs (May 2018: £4.2m; February 2019 £3.6m)) maturity date 2023	**(346.7)**	(345.8)	(346.4)
9.5% Second Lien Secured Notes (net of £1.3m issue costs (May 2018: £1.6m; February 2019 £1.4m)) maturity date 2024	**(128.7)**	(128.4)	(128.6)
	(475.4)	(474.2)	(475.0)

Borrowings are all denominated in sterling at 25 May 2019. The Group had no short-term borrowings during any of the reported periods. Issue costs of £6.2m were incurred in relation to the First Lien Secured Notes and Second Lien Secured Notes and are being amortised over the terms of the facilities.

A proportion of the Second Lien Secured Notes are held by shareholders of the Company.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. In the 52 week period ending 24 February 2018 the Group issued £350m First Lien secured notes due 2023 and £130m Second Lien unsecured notes due 2024.

Missouri Topco Limited

Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Maturity of Secured Notes

	25 May 2019	26 May 2018	23 February 2019
	£'m	£'m	£'m
Less than one year	**-**	-	-
One to five years	**480.0**	350.0	480.0
Five to ten years	**-**	130.0	-
	480.0	480.0	480.0
Unamortised issue costs	**(4.6)**	(5.8)	(5.0)
	475.4	474.2	475.0
Current	**-**	-	-
Non-current	**475.4**	474.2	475.0
	475.4	474.2	475.0

Borrowing facilities

At 25 May 2019 the table below reflects the usage of the Revolving Credit Facilities (RCF). These facilities are subject to an annual review and incur fees at market rates.

	25 May 2019	26 May 2018	23 February 2019
	£'m	£'m	£'m
Letters of credit	**3.3**	2.1	2.3
Guarantees	**8.3**	8.3	8.6
Unused	**38.4**	39.6	39.1
Total available	**50.0**	50.0	50.0

An unlimited guarantee under a composite accounting agreement operates for all Group company bank accounts. Group bank facilities are secured by fixed and floating charges on the assets of the guarantor group. Notes in issue as disclosed are guaranteed by the assets of the guarantor group.

7. Derivative financial instruments

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 25 May 2019 is £555.4m (26 May 2018: £658.3m; 23 February 2019: £508.2m).

The net fair value of gains as at 25 May 2019 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases is £24.9m (26 May 2018: losses of £13.1m; 23 February 2019: gains of £7.5m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

Missouri Topco Limited

Notes to the financial statements (continued)

8. Provisions for other liabilities and charges

	Onerous contracts
	£'m
At 24 February 2019	**(1.2)**
Utilised in the period	**-**
Transferred to lease liabilities under IFRS 16	**1.2**
At 25 May 2019	**-**

	25 May 2019	26 May 2018	23 February 2019
	£'m	£'m	£'m
Analysis of total provisions:			
Non-current	**-**	(1.2)	(0.7)
Current	**-**	(0.5)	(0.5)
	-	(1.7)	(1.2)

During a previous period a lease previously assigned to another retailer was returned to the Company in 2009 on privity of contract after they entered administration. A provision was created at that time to recognise that the lease was onerous and this was treated as exceptional in nature and is being released over the remaining life of the lease.

9. Cash flow from operating activities

Reconciliation of operating profit to net cash flow from operating activities:

	13 weeks ended 25 May 2019	13 weeks ended 26 May 2018	52 weeks ended 23 February 2019
	£'m	£'m	£'m
Cash generated from operations			
Operating profit	**23.2**	16.9	67.4
Adjustments for:			
Depreciation	**25.6**	5.8	23.9
Amortisation of intangibles	**2.5**	2.0	9.6
Loss on disposal of property, plant and equipment	**-**	-	-
Non cash exceptional items	**-**	-	(0.1)
Share based compensation charge	**0.1**	0.1	(0.6)
Hedge accounting	**0.1**	-	0.1
Operating cash flows before movements in working capital	**51.5**	24.8	100.3
Movements in working capital:			
Decrease/(increase) in inventories	**(11.5)**	0.6	(11.8)
Decrease in trade and other receivables	**1.9**	1.5	1.8
(Decrease)/increase in trade and other payables	**(0.7)**	(18.4)	13.4
Net cash flows from operating activities	**41.2**	8.5	103.7

10. Reconciliation of net debt

Net funds incorporate notes in issue, less cash and cash equivalents.

	Net debt at 23 February 2019	Cash movements	Non cash movements	**Net debt at 25 May 2019**
	£'m	£'m	£'m	**£'m**
Cash and cash equivalents	72.5	(1.3)	-	**71.2**
Debt due after 1 year	(475.0)	-	(0.4)	**(475.4)**
	(402.5)	(1.3)	(0.4)	**(404.2)**

11. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Group bank facilities as disclosed in note 6 are secured by fixed and floating charges over the assets of the guarantor group. Notes in issue as disclosed in note 6 are guaranteed by the assets of the guarantor group.

12. Related party transactions

The Group purchased from and provided IT services to companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 25 May 2019 was £0.8m (13 weeks ending 26 May 2018: £0.7m; 52 weeks ended 23 February 2019: £2.8m) of which £nil was outstanding at 25 May 2019 (26 May 2018: £nil; 23 February 2019: 0.2m).

The Group purchased clothing for resale from companies associated with the Hargreaves family. Purchases during the 13 week period ended 25 May 2019 were £1.9m (13 weeks ending 26 May 2018: £1.4m; 52 weeks ended 23 February 2019: £4.0m) of which £0.3m was outstanding at 25 May 2019 (26 May 2018: £0.9m; 23 February 2019: £0.5m).

The Group used the clothing design services of companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 25 May 2019 was £0.1m (13 weeks ending 26 May 2018: £0.2m; 52 weeks ended 23 February 2019: 0.8m) of which £0.1m was outstanding at 25 May 2019 (26 May 2018: £0.1m outstanding; 23 February 2019: £0.1m was outstanding).

During the 13 week period ended 25 May 2019 a member of the Hargreaves family was paid £nil (13 weeks ending 26 May 2018: £nil; 52 weeks ended 23 February 2019: £0.2m).

The Group incurred costs relating to the Hargreaves family and associated companies. The expenditure incurred during the 13 week period ended 25 May 2019 was £0.2m (13 weeks ending 26 May 2018: £0.1m; 52 weeks ended 23 February 2019: £0.5m) of which £0.2 was outstanding at 25 May 2019 (26 May 2018: £0.1m, 23 February 2019: £0.1m).

Missouri Topco Limited

Notes to the financial statements (continued)

13. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 25 May 2019 £'m	13 weeks ended 26 May 2018 £'m	52 weeks ended 23 February 2019 £'m
Restructuring costs	**-**	(0.1)	(1.5)
Other income	**0.9**	-	-
Exceptional items - administrative expenses	**0.9**	(0.1)	(1.5)
Finance Expense	**-**	-	-
Exceptional items – Finance Income	**-**	-	-
Total exceptional items	**0.9**	(0.1)	(1.5)

Restructuring costs

£nil restructuring costs were incurred during the 13 week period ended 25 May 2019 (13 week period ended 26 May 2018: £0.1m; 52 week period ended 23 February 2019: £1.5m). Within the 52 week period ended 23 February 2019, restructuring costs of £1.6m were partially offset by a £0.1m credit in relation to a true-up of actual costs relating to an onerous contract.

Other income

In the 13 week period ended 25 May 2019 the group recognised £0.9m other income relating to a historic supplier refund.