

REGISTERED NUMBER: 00045618

MISSOURI TOPCO LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13 WEEKS ENDED 29 AUGUST 2020

Missouri Topco Limited

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Missouri Topco Limited

Results of operations for the 13 weeks ended 29 August 2020

Revenue

Revenue decreased by 11.6% to £258.0m in the 13 week period ended 29 August 2020 and decreased by 41.1% to £333.3m in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £292.0m; 27 week period ended 31 August 2019: £565.5m; 53 week period ended 29 February 2020: £1,129.4m).

Cost of sales and gross profit

Cost of sales decreased by 8.4% to £242.1m in the 13 week period ended 29 August 2020 and decreased by 31.8% to £341.1m in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £264.4m; 27 week period ended 31 August 2019: £500.4m; 53 week period ended 29 February 2020: £1,000.6).

Gross profit decreased by 42.4% to £15.9m in the 13 week period ended 29 August 2020 and decreased by 112.0% to a loss of £7.8m in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £27.6m; 27 week period ended 31 August 2019: £65.1m; 53 week period ended 29 February 2020: £128.8m).

Gross profit as a percentage of revenue decreased to 6.2% in the 13 weeks ended 29 August 2020 and decreased to (2.3)% in the 26 weeks ended 29 August 2020 (14 week period ended 31 August 2019: 9.5%; 27 week period ended 31 August 2019: 11.5%; 53 week period ended 29 February 2020: 11.4%).

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) increased by £0.3m to £15.0m in the 13 week period ended 29 August 2020 and decreased by £0.7m to £28.3m in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £14.7m; 27 week period ended 31 August 2019: £29.0m; 53 week period ended 29 February 2020: £59.5m).

Operating profit

Operating profit pre exceptional items decreased by 90.7% to £1.2m in the 13 week period ended 29 August 2020 and decreased by 202.8% to a loss of £(36.2)m in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £12.9m; 27 week period ended 31 August 2019: £35.2m; 53 week period ended 29 February 2020: £70.9m).

Net finance costs (including exceptional items)

Net finance costs (including exceptional items) were £24.7m in the 13 week period ended 29 August 2020 and £42.3m in the 26 week period ended 29 August 2020 (13 week period ended 31 August 2019: £23.1m; 27 week period ended 31 August 2019: £45.0m; 53 week period ended 29 February 2020: £87.6m).

Exceptional items

Exceptional items of £0.3m were incurred in the 13 week period ended 29 August 2020 and £0.7m was incurred in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £nil; 27 week period ended 31 August 2019: £0.9m credit; 53 week period ended 29 February 2020: £1.6m cost).

Taxation

The taxation credit in the 13 week period ended 29 August 2020 was £1.1m and in the 26 week period ended 29 August 2020 was £1.9m (14 week period ended 31 August 2019: £1.2m credit; 27 week period ended 31 August 2019: £0.9m credit; 53 week period ended 29 February 2020: £1.5m credit).

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Results of operations for the 13 weeks ended 29 August 2020 (continued)

Profit/loss for the period

The loss in the 13 week period ended 29 August 2020 was £22.7m and the loss in the 26 week period ended 29 August 2020 was £76.5m (14 week period ended 31 August 2019: £9.0m loss; 27 week period ended 31 August 2019: £8.0m loss; 53 week period ended 29 February 2020: £16.8m loss).

Cash flow

Cash flows from operating activities increased by £63.5m to a £94.8m inflow in the 13 week period ended 29 August 2020 and decreased by £32.6m to a £25.9m inflow in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £31.3m inflow; 27 week period ended 31 August 2019: £58.5m inflow; 53 week period ended 29 February 2020: £95.2m inflow). We have amended the split of our rent cash flows in the comparative 14 week and 27 week periods ended 31 August 2019 to include the interest portion of the quarterly rental payments within Interest paid. This aligns the treatment of the rent cash flows in our quarterly results with that in the full year financial statements for the 53 week period ended 29th February 2020.

Net cash used in investing activities was a £7.8m outflow in the 13 week period ended 29 August 2020 and a £3.6m inflow in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £13.3m outflow; 27 week period ended 31 August 2019: £27.3m outflow; 53 week period ended 29 February 2020: £51.3m outflow).

Net cash used in financing activities was a £34.4m inflow in the 13 week period ended 29 August 2020 and a £71.6m inflow in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £15.9m outflow; 27 week period ended 31 August 2019: £30.4m outflow; 53 week period ended 29 February 2020: £55.2m outflow).

Cash increased by £121.4m in the 13 week period ended 29 August 2020 and increased by £101.1m in the 26 week period ended 29 August 2020 (14 week period ended 31 August 2019: £2.1m increase; 27 week period ended 31 August 2019: £0.8m increase; 52 weeks ended 23 February 2019: £11.3m decrease). The cash balance as at 29 August 2020 was £162.3m.

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Condensed consolidated income statement

| | Note | 13 weeks ended 29 August 2020 £'m | 14 weeks ended 31 August 2019 £'m | 26 weeks ended 29 August 2020 £'m | 27 weeks ended 31 August 2019 £'m | 53 weeks ended 29 February 2020 £'m |
|---|------|---|---|---|---|---|
| Revenue | 3 | 258.0 | 292.0 | 333.3 | 565.5 | 1,129.4 |
| Cost of sales | 3 | (242.1) | (264.4) | (341.1) | (500.4) | (1,000.6) |
| Gross profit/ (loss) | 3 | 15.9 | 27.6 | (7.8) | 65.1 | 128.8 |
| Administrative expenses (including exceptional items) | 3 | (15.0) | (14.7) | (28.3) | (29.0) | (59.5) |
| Operating profit/ (loss) (including exceptional items) | 3 | 0.9 | 12.9 | (36.1) | 36.1 | 69.3 |
| Operating profit/ (loss) pre exceptional items | | 1.2 | 12.9 | (36.2) | 35.2 | 70.9 |
| Exceptional items – cost of sales | | - | - | - | - | (1.0) |
| Exceptional items – administrative expenses | 12 | (0.3) | - | 0.1 | 0.9 | (0.6) |
| Operating profit/ (loss) | | 0.9 | 12.9 | (36.1) | 36.1 | 69.3 |
| Finance costs | | (24.7) | (23.3) | (46.4) | (45.3) | (88.1) |
| Finance income | | - | 0.2 | 4.9 | 0.3 | 0.5 |
| Exceptional finance expense | | - | - | (0.8) | - | - |
| Net finance costs | | (24.7) | (23.1) | (42.3) | (45.0) | (87.6) |
| Loss before income tax and exceptional items | | (23.5) | (10.2) | (77.7) | (9.8) | (16.7) |
| Total exceptional items | 12 | (0.3) | - | (0.7) | 0.9 | (1.6) |
| Loss before income tax | | (23.8) | (10.2) | (78.4) | (8.9) | (18.3) |
| Income tax | 5 | 1.1 | 1.2 | 1.9 | 0.9 | 1.5 |
| Loss for the period | | (22.7) | (9.0) | (76.5) | (8.0) | (16.8) |

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Statement of comprehensive income

| | 13 weeks ended 29 August 2020 | 14 weeks ended 31 August 2019 | 26 weeks ended 29 August 2020 | 27 weeks ended 31 August 2019 | 53 weeks ended 29 February 2020 |
|---|--|--|--|--|--|
| | £'m | £'m | £'m | £'m | £'m |
| Loss for the period | (22.7) | (9.0) | (76.5) | (8.0) | (16.8) |
| Other comprehensive (expenditure)/ income: | | | | | |
| Cash flow hedges | (21.8) | 18.0 | (11.0) | 34.7 | 8.1 |
| Income tax element of cash flow hedges | 4.2 | (3.2) | 1.8 | (6.2) | (1.2) |
| Total other comprehensive (expenditure)/ income, net of income tax | (17.6) | 14.8 | (9.2) | 28.5 | 6.9 |
| Total comprehensive (expenditure)/ income for the period | (40.3) | 5.8 | (85.7) | 20.5 | (9.9) |

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated balance sheet

| | Note | 29 August 2020 £'m | 31 August 2019 £'m | 29 February 2020 £'m |
|--|------|--------------------------|--------------------------|----------------------------|
| Assets | | | | |
| Property, plant and equipment | | 215.3 | 221.8 | 220.0 |
| Right-of-use assets | | 422.9 | 470.4 | 460.1 |
| Intangible assets | | 52.5 | 44.7 | 50.5 |
| Financial assets – derivative financial instruments | 7 | 1.2 | 11.8 | 4.6 |
| Total non-current assets | | 691.9 | 748.7 | 735.2 |
| Inventories – goods for resale | | 98.3 | 144.4 | 133.0 |
| Trade and other receivables | | 20.9 | 23.3 | 23.6 |
| Financial assets – derivative financial instruments | 7 | - | 33.7 | 15.7 |
| Cash and cash equivalents | | 162.3 | 73.3 | 61.2 |
| Total current assets | | 281.5 | 274.7 | 233.5 |
| Total assets | | 973.4 | 1,023.4 | 968.7 |
| Liabilities | | | | |
| Financial Liabilities – derivative financial instruments | | (5.7) | - | (1.1) |
| Lease liabilities | | (73.0) | (100.6) | (61.0) |
| Trade and other payables | | (210.9) | (192.8) | (171.3) |
| Current income tax liabilities | | (0.1) | - | (0.1) |
| Total current liabilities | | (289.7) | (293.4) | (233.5) |
| Financial liabilities – borrowings | 6 | (517.4) | (475.7) | (476.3) |
| Lease liabilities | | (452.2) | (420.2) | (461.4) |
| Deferred income tax liabilities | | (0.8) | (10.9) | (4.5) |
| Financial Liabilities – derivative financial instruments | | (5.8) | - | - |
| Total non-current liabilities | | (976.2) | (906.8) | (942.2) |
| Total liabilities | | (1,265.9) | (1,200.2) | (1,175.7) |
| Net liabilities | | (292.5) | (176.8) | (207.0) |
| 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 | | 2.8 | 33.6 | 12.0 |
| Capital redemption reserve | | 5.7 | 5.7 | 5.7 |
| Warrant reserve | | 3.1 | 3.1 | 3.1 |
| Retained earnings | | 67.3 | 152.2 | 143.6 |
| Total shareholders' deficit | | (292.5) | (176.8) | (207.0) |

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Notes to the financial statements

Condensed consolidated cash flow statement

| | Note | 13 weeks ended 29 August 2020 £'m | 14 weeks ended 31 August 2019 £'m | 26 weeks ended 29 August 2020 £'m | 27 weeks ended 31 August 2019 £'m | 53 weeks ended 29 February 2020 £'m |
|---|------|---|---|---|---|---|
| Cash flows from operating activities | | | | | | |
| Cash generated | 8 | 126.6 | 63.4 | 58.0 | 104.6 | 183.7 |
| Interest paid | | (31.8) | (31.2) | (32.1) | (43.8) | (86.0) |
| Income tax paid | | - | (0.9) | - | (2.3) | (2.5) |
| Net cash generated from operating activities | | 94.8 | 31.3 | 25.9 | 58.5 | 95.2 |
| Cash flows from investing activities | | | | | | |
| Purchases of property, plant and equipment | | (4.3) | (8.8) | (8.5) | (20.0) | (32.1) |
| Purchases of intangible assets | | (3.6) | (4.7) | (6.7) | (7.6) | (19.7) |
| Interest received | | 0.1 | 0.2 | 4.5 | 0.3 | 0.5 |
| Gain on sale of FX hedges | | - | - | 14.3 | - | - |
| Net cash used in investing activities | | (7.8) | (13.3) | 3.6 | (27.3) | (51.3) |
| Cash flows from financing activities | | | | | | |
| Overdraft drawdown | | - | - | 38.0 | - | - |
| Repayment of overdraft | | (6.2) | - | (6.2) | - | - |
| Exceptional finance costs | | - | - | (0.8) | - | - |
| Loan issued | | 25.0 | - | 25.0 | - | - |
| Bonds issued | | 27.7 | - | 27.7 | - | - |
| Issue costs | | (12.1) | - | (12.1) | - | - |
| Repayment of lease liabilities | | - | (15.9) | - | (30.1) | (54.9) |
| Repurchase of own shares | | - | - | - | (0.3) | (0.3) |
| Net cash used in financing activities | | 34.4 | (15.9) | 71.6 | (30.4) | (55.2) |
| Net increase in cash and cash equivalents | | 121.4 | 2.1 | 101.1 | 0.8 | (11.3) |
| Cash and cash equivalents at the beginning of the period | | 40.9 | 71.2 | 61.2 | 72.5 | 72.5 |
| Cash and cash equivalents at the end of the period | | 162.3 | 73.3 | 162.3 | 73.3 | 61.2 |

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated statement of changes in shareholders' equity

| Group | 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 | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (8.0) | (8.0) |
| Total loss for the period | - | - | - | - | - | - | (8.0) | (8.0) |
| Other comprehensive income | | | | | | | | |
| Cash flow hedges | | | | | | | | |
| - fair value gain in the period | - | - | - | 38.0 | - | - | - | 38.0 |
| - transfers to inventory | - | - | - | (3.3) | - | - | - | (3.3) |
| - tax element of cash flow hedges | - | - | - | (6.2) | - | - | - | (6.2) |
| Total cash flow hedges, net of tax | - | - | - | 28.5 | - | - | - | 28.5 |
| Total other comprehensive income, net of tax | - | - | - | 28.5 | - | - | - | 28.5 |
| Transactions with owners | | | | | | | | |
| Fair value charge for subscription for 'B' shares | - | - | - | - | - | - | 0.2 | 0.2 |
| Repurchase of own shares | - | - | - | - | - | - | (0.3) | (0.3) |
| Total transactions with owners | - | - | - | - | - | - | (0.1) | (0.2) |
| As at 31 August 2019 | 17.3 | 385.6 | (774.3) | 33.6 | 5.7 | 3.1 | 152.2 | (176.8) |

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

| Group | 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 29 February 2020 | 17.3 | 385.6 | (774.3) | 12.0 | 5.7 | 3.1 | 143.6 | (207.0) |
| Comprehensive expenditure | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (76.5) | (76.5) |
| Total loss for the period | - | - | - | - | - | - | (76.5) | (76.5) |
| Other comprehensive expenditure | | | | | | | | |
| Cash flow hedges | | | | | | | | |
| - fair value loss in the period | - | - | - | (15.5) | - | - | - | (15.5) |
| - transfers to inventory | - | - | - | 4.5 | - | - | - | 4.5 |
| - tax element of cash flow hedges | - | - | - | 1.8 | - | - | - | 1.8 |
| Total cash flow hedges, net of tax | - | - | - | (9.2) | - | - | - | (9.2) |
| Total other comprehensive expenditure, net of tax | - | - | - | (9.2) | - | - | - | (9.2) |
| Transactions with owners | | | | | | | | |
| Fair value charge for subscription for 'B' shares | - | - | - | - | - | - | 0.2 | 0.2 |
| Total transactions with owners | - | - | - | - | - | - | 0.2 | 0.2 |
| As at 29 August 2020 | 17.3 | 385.6 | (774.3) | 2.8 | 5.7 | 3.1 | 67.3 | (292.5) |

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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 12 October 2020.

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).

3. Operating profit

| | 13 weeks ended 29 August 2020 | 14 weeks ended 31 August 2019 | 26 weeks ended 29 August 2020 | 27 weeks ended 31 August 2019 | 53 weeks ended 29 February 2020 |
|---|--|-------------------------------------|--|--|--|
| | £'m | £'m | £'m | £'m | £'m |
| Total Revenue | 258.0 | 292.0 | 333.3 | 565.5 | 1,129.4 |
| Cost of goods sold | (161.9) | (168.6) | (199.7) | (307.3) | (620.7) |
| Selling expenses | (69.4) | (84.1) | (123.5) | (167.9) | (330.4) |
| Distribution expenses | (10.8) | (11.7) | (17.9) | (25.2) | (48.5) |
| Exceptional items – distribution expenses | - | - | - | - | (1.0) |
| Total cost of sales | (242.1) | (264.4) | (341.1) | (500.4) | (1,000.6) |
| Gross profit/ (loss) | 15.9 | 27.6 | (7.8) | 65.1 | 128.8 |
| Administrative expenses - pre exceptional | (14.7) | (14.7) | (28.4) | (29.9) | (58.9) |
| Exceptional items- administrative income/ (expenses) | (0.3) | - | 0.1 | 0.9 | (0.6) |
| Administrative expenses | (15.0) | (14.7) | (28.3) | (29.0) | (59.5) |
| Operating profit/ (loss) | 0.9 | 12.9 | (36.1) | 36.1 | 69.3 |

Further details of exceptional items are given in note 12.

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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 29 August 2020 under IFRS 16 £'m | 14 weeks ended 31 August 2019 under IFRS 16 £'m | 26 weeks ended 29 August 2020 under IFRS 16 £'m | 27 weeks ended 31 August 2019 under IFRS 16 £'m | 53 weeks ended 29 February 2020 under IFRS 16 £'m |
|--------------------------------|--|--|--|--|--|
| Operating profit/ (loss) | 0.9 | 12.9 | (36.1) | 36.1 | 69.3 |
| Depreciation and amortisation | 27.3 | 29.9 | 54.5 | 57.9 | 112.1 |
| Exceptional items | 0.3 | - | (0.1) | (0.9) | 1.6 |
| EBITDA pre exceptionals | 28.5 | 42.8 | 18.3 | 93.1 | 183.0 |

Reconciliation to IAS 17 EBITDA

| | | | | | |
|---------------------------------------|---------------|--------|---------------|--------|---------|
| EBITDA pre exceptionals under IFRS 16 | 28.5 | 42.8 | 18.3 | 93.1 | 183.0 |
| Increase in cost of sales | (25.0) | (26.4) | (50.5) | (51.7) | (102.4) |
| Increase in administrative expenses | (0.1) | (0.1) | (0.2) | (0.2) | (0.3) |
| EBITDA pre exceptionals under IAS 17 | 3.4 | 16.3 | (32.4) | 41.2 | 80.3 |

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.

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Notes to the financial statements (continued)

5. Income tax

Income tax for the 13 week period ended 29 August 2020 is credited at 4.6% and for the 26 week period ended 29 August 2020 at 2.4% (14 weeks ended 31 August 2019: 11.8%; 27 weeks ended August 2019: 10.1%, 53 weeks ended 29 February 2020: 8.2%) applied to the pre-tax losses for the 13 week period and for the 26 week period respectively.

The effective annual income tax credit of 11.1% is lower than the standard rate of corporation tax in the UK of 19.0% at the end of August 2020 (August 2019: 19.0%, February 2020: 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 20% 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. The reduction to 17% was withdrawn following publication of the Finance Bill on 19 March 2020.

6. Financial liabilities – borrowings

| | 29 August 2020 | 31 August 2019 | 29 February 2020 |
|--|----------------|----------------|------------------|
| | £'m | £'m | £'m |
| Non-current | | | |
| 6.75% First Lien Secured Notes (net of £2.2m issue costs (August 2019: £3.1m; February 2020 £2.6m)) maturity date 2023 | (347.8) | (346.9) | (347.4) |
| 9.5% Second Lien Secured Notes (net of £1.0m issue costs (August 2019: £1.2m; February 2020 £1.1m)) maturity date 2024 | (79.0) | (128.8) | (128.9) |
| 9.5% Shareholder Notes (net of £0.4m issue costs (August 2019: £nil; February 2020 £nil)) maturity date 2024 | (49.6) | - | - |
| 16.5% 1.5 lien secured notes (net of £7.6m issue costs (August 2019: £nil; February 2020 £nil)) maturity date 2022 | (20.1) | - | - |
| CLBILS (net of £4.1m issue costs (August 2019: £nil; February 2020 £nil)) maturity date 2022 | (20.9) | - | - |
| | (517.4) | (475.7) | (476.3) |

Borrowings are all denominated in sterling at 29 August 2020. 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.

During the quarter ended 29 August 2020 the Group issued £27.7m 1.5 lien secured notes and received £25.0m in CLBILS. Issue costs were incurred of £13.1m in relation to the 1.5 lien secured notes and CLBILS and are being amortised over the terms of the facilities.

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 £350.0m First Lien secured notes due 2023 and £130.0m Second Lien unsecured notes due 2024. In the 26 week period ended 29 August 2020 the Group issued £27.7m 1.5 lien secured notes and £25.0m CLBILS due 2022. In addition, during the 26 week period ended 29 August 2020 the Group subordinated £50.0m of the Second Lien unsecured notes, held by shareholders of the company.

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Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Maturity of borrowings

| | 29 August 2020 £'m | 31 August 2019 £'m | 29 February 2020 £'m |
|-------------------------|--------------------------|-----------------------|----------------------------|
| Less than one year | - | - | - |
| One to five years | 532.7 | 480.0 | 480.0 |
| Five to ten years | - | - | - |
| | 532.7 | 480.0 | 480.0 |
| Unamortised issue costs | (15.3) | (4.3) | (3.7) |
| | 517.4 | 475.7 | 476.3 |
| Current | - | - | - |
| Non-current | 517.4 | 475.7 | 476.3 |
| | 517.4 | 475.7 | 476.3 |

Borrowing facilities

At 29 August 2020 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.

| | 29 August 2020 £'m | 31 August 2019 £'m | 29 February 2020 £'m |
|------------------------|--------------------------|-----------------------|----------------------------|
| Letters of credit | 2.2 | 3.3 | 1.7 |
| Guarantees | 8.3 | 8.2 | 8.3 |
| Overdraft | 31.7 | - | - |
| Unused | 7.8 | 38.5 | 40.0 |
| 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 29 August 2020 is £409.7m (31 August 2019: £467.7m; 29 February 2020: £550.3m).

The net fair value of losses as at 29 August 2020 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases is £10.3m (31 August 2019: gains of £45.5m; 29 February 2020: gains of £19.2m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

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Notes to the financial statements (continued)

8. Cash flow from operating activities

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

| | 13 weeks ended 29 August 2020 £'m | 14 weeks ended 31 August 2019 £'m | 26 weeks ended 29 August 2020 £'m | 27 weeks ended 31 August 2019 £'m | 53 weeks ended 29 February 2020 £'m |
|---|--|--|---|---|---|
| Cash generated from operations | | | | | |
| Operating profit/(loss) | 0.9 | 12.9 | (36.1) | 36.1 | 69.3 |
| Adjustments for: | | | | | |
| Depreciation | 24.9 | 27.0 | 49.5 | 52.5 | 102.0 |
| Amortisation of intangibles | 2.4 | 2.9 | 5.0 | 5.4 | 10.1 |
| Non cash exceptional items | - | - | (0.4) | - | - |
| Share based compensation charge | 0.1 | 0.1 | 0.2 | 0.2 | 0.4 |
| Hedge accounting | 0.6 | (0.2) | 0.6 | - | - |
| Operating cash flows before movements in working capital | 28.9 | 42.7 | 18.8 | 94.2 | 181.8 |
| Movements in working capital: | | | | | |
| Decrease/(increase) in inventories | 66.5 | 2.3 | 33.8 | (9.2) | (1.3) |
| Decrease/(increase) in trade and other receivables | 7.0 | (2.8) | 2.3 | (0.9) | (4.5) |
| Increase in trade and other payables | 24.2 | 21.2 | 3.1 | 20.5 | 7.7 |
| Net cash flows from operating activities | 126.6 | 63.4 | 58.0 | 104.6 | 183.7 |

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Notes to the financial statements (continued)

9. Reconciliation of net debt

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

| | Net debt at 29 February 2020 £'m | Cash movements £'m | Non cash movements £'m | Net debt at 29 August 2020 £'m |
|---------------------------|---|--------------------------|------------------------------|---|
| Cash and cash equivalents | 61.2 | 101.1 | - | 162.3 |
| Debt due within 1 year | - | (31.8) | - | (31.8) |
| Debt due after 1 year | (476.3) | (39.1) | (2.0) | (517.4) |
| | (415.1) | 30.2 | (2.0) | (386.9) |

10. 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.

11. 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 29 August 2020 was £0.8m and in the 26 week period ended 29 August 2020 was £1.6m (14 weeks ending 31 August 2019: £1.0m; 27 weeks ending 31 August 2019: £1.6m; 53 weeks ended 23 February 2020: £3.2m) of which £0.3m was outstanding at 29 August 2020 (31 August 2019: £0.3m; 29 February 2020: £0.3m).

The Group purchased clothing for resale from companies associated with the Hargreaves family. Purchases during the 13 week period ended 29 August 2020 were £nil and in the 26 week period to 29 August 2020 £nil (14 weeks ending 31 August 2019: £0.6m; 27 weeks ended 31 August 2019: £2.5m; 53 weeks ended 29 February 2020: £2.1m) of which £nil was outstanding at 29 August 2020 (31 August 2019: £0.3m; 29 February 2020: £nil).

The Group used the clothing design services of companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 29 August 2020 was £nil and in the 26 weeks ended 29 August 2020 £0.1m (14 weeks ending 31 August 2019: £nil; 27 weeks ended 31 August 2019: £0.1m; 53 weeks ended 29 February 2020: £0.4m) of which £nil was outstanding at 29 August 2020 (31 August 2019: £0.1m outstanding; 29 February 2020: £nil).

During the 13 week period ended 29 August 2020 a member of the Hargreaves family was paid £nil and in the 26 week period ended 29 August 2020 £nil (14 weeks ending 31 August 2019: £0.1m; 27 weeks ending 25 August 2019: £0.1m 53 weeks ended 29 February 2020: £0.1m).

The Group incurred costs relating to the Hargreaves family and associated companies. The expenditure incurred during the 13 week period ended 29 August 2020 was £0.1m and in the 26 week period ended 29 August 2020 £0.1m (14 weeks ending 31 August 2019: £0.3m; 27 weeks to 31 August 2019: £0.5m; 53 weeks ended 29 February 2020: £0.7m) of which £0.2m was outstanding at 29 August 2020 (31 August 2019: £0.4m, 29 February 2020: £nil).

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Notes to the financial statements (continued)

12. Exceptional items

Exceptional items are comprised as follows:

| | 13 weeks ended 29 August 2020 £'m | 14 weeks ended 31 August 2019 £'m | 26 weeks ended 29 August 2020 £'m | 27 weeks ended 31 August 2019 £'m | 53 weeks ended 29 February 2020 £'m |
|--|--|---|--|---|---|
| Industrial action costs | - | - | - | - | (1.0) |
| Exceptional items - cost of sales | - | - | - | - | (1.0) |
| Restructuring costs | (0.3) | - | (0.3) | - | (0.6) |
| Other income | - | - | 0.4 | 0.9 | - |
| Exceptional items - administrative expenses | (0.3) | - | 0.1 | 0.9 | (0.6) |
| Finance Expense | - | - | (0.8) | - | - |
| Exceptional items – Finance expenses | - | - | (0.8) | - | - |
| Total exceptional items | (0.3) | - | (0.7) | 0.9 | (1.6) |

Restructuring costs

£0.3m restructuring costs were incurred during the 13 week period ended 29 August 2020 and £0.3m in the 26 week period ending 29 August 2020 (14 week period ended 31 August 2019: £nil 27 week period ended 31 August 2019: £nil; 53 week period ended 29 February 2020: £0.6m).

Finance expense

During the 13 week period ended 29 August 2020 the group recognised £nil of exceptional finance expenses in relation to refinancing and in the 26 week period ending 29 August 2020 £0.8m (13 week period ended 25 May 2019: £nil; 53 week period ended 29 February 2020: £nil).

Other income

During the 13 week period ended 29 August 2020 the group recognised £nil other income and £0.4m in the 26 week period ended 29 August in relation to the release of an onerous provision no longer required.