

REGISTERED NUMBER: 00045618

MISSOURI TOPCO LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13 WEEKS ENDED 28 AUGUST 2021

Missouri Topco Limited

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Missouri Topco Limited

Results of operations for the 13 weeks ended 28 August 2021

Revenue

Revenue increased by 2.6% to £264.7m in the 13 week period ended 28 August 2021 and increased by 46.0% to £486.5m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £258.0m; 26 week period ended 29 August 2020: £333.3m; 52 week period ended 27 February 2021: £744.1m).

Cost of sales and gross profit

Cost of sales decreased by 11.7% to £213.7m in the 13 week period ended 28 August 2021 and increased by 18.8% to £405.3m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £242.1m; 26 week period ended 29 August 2020: £341.1m; 52 week period ended 27 February 2021: £713.6m).

Gross profit increased by 220.8% to £51.0m in the 13 week period ended 28 August 2021 and increased by 1141.0% to £81.2m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £15.9m; 26 week period ended 29 August 2021: (£7.8m) loss; 52 week period ended 27 February 2021: £30.5m).

Gross profit as a percentage of revenue increased to 19.3% in the 13 week period ended 28 August 2021 and to 16.7% in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: 6.2%; 26 week period ended 29 August 2020: (2.3%); 52 week period ended 27 February 2021: 4.1%).

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) increased by £1.0m to £16.0m in the 13 week period ended 28 August 2021 and increased by £2.8m to £31.1m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £15.0m; 26 week period ended 29 August 2020: £28.3m; 52 week period ended 27 February 2021: £69.8m).

Exceptional administrative expenses of £0.1m were debited to the income statement in the 13 week period ended 28 August 2021 and £0.6m were debited to the income statement in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £0.3m; 26 week period ended 29 August 2020: £0.1m credit; 52 week period ended 27 February 2021: £11.7m).

Operating profit

Operating profit pre-exceptional items increased by £33.9m to £35.1m in the 13 week period ended 28 August 2021 and increased by £86.9m to £50.7m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £1.2m profit; 26 week period ended 29 August 2020: £36.2m loss; 52 week period ended 27 February 2021: £27.6m loss).

Net finance costs (including exceptional items)

Net finance costs (including exceptional items) were £24.6m in the 13 week period ended 28 August 2021 and £49.7m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £24.7m; 26 week period ended 29 August 2020: £42.3m; 52 week period ended 27 February 2021: £92.2m).

Exceptional finance costs of £0.2m occurred in the 13 week period ended 28 August 2021 and £0.3m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £nil; 26 week period ended 29 August 2020: £0.8m; 52 week period ended 27 February 2021: £1.2m).

Taxation

Taxation in the 13 week period ended 28 August 2021 was a £1.2m credit and a £1.9m credit in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £1.1m credit; 26 week period ended 29 August 2020: £1.9m credit; 52 week period ended 27 February 2021: £15.8m credit).

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Results of operations for the 13 weeks ended 28 August 2021 (Continued)

Profit/ (loss) for the period

The profit in the 13 week period ended 28 August 2021 was £11.6m and the profit in the 26 week period ended 28 August 2021 was £2.3m (13 week period ended 29 August 2020: £22.7m loss; 26 week period ended 29 August 2020: £76.5m loss; 52 week period ended 27 February 2021: £115.7m loss).

Cash flow

Cash flows from operating activities decreased by £38.8m to a £56.1m inflow in the 13 week period ended 28 August 2021 and increased by £67.3m to a £93.3m inflow in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £94.9m; 26 week period ended 29 August 2020: £26.0m; 52 week period ended 27 February 2021: £4.6m).

Net cash used in investing activities was a £6.0m outflow in the 13 week period ended 28 August 2021 and a £11.3m outflow in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £7.8m outflow; 26 week period ended 29 August 2020: £3.6 inflow; 52 week period ended 27 February 2021: £18.5m inflow).

Net cash used in financing activities was a £18.9m outflow in the 13 week period ended 28 August 2021 and a £19.0m outflow in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £40.6m inflow; 26 week period ended 29 August 2020: £39.8m inflow; 52 week period ended 27 February 2021: £8.6m inflow).

Net cash increased by £31.2m in the 13 week period ended 28 August 2021 and increased by £63.0m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £127.7m increase; 26 week period ended 29 August 2020: £69.4m increase; 52 weeks ended 27 February 2021: £31.7m increase). The net cash and cash equivalents balance (net of overdraft) as at 28 August 2021 was £155.9m.

We have restated the cash flow statement for the comparative 13 week period ended 29 August 2020 and the comparative 26 week period ended 29 August 2020 to reflect the cash and cash equivalents balance net of overdraft. This aligns the disclosure of our cash flow statement in our quarterly results with that in the full year.

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Condensed consolidated income statement

	Note	13 weeks ended 28 August 2021 £'m	13 weeks ended 29 August 2020 £'m	26 weeks ended 28 August 2021 £'m	26 weeks ended 29 August 2020 £'m	52 weeks ended 27 February 2021 £'m
Revenue	3	264.7	258.0	486.5	333.3	744.1
Cost of sales	3	(213.7)	(242.1)	(405.3)	(341.1)	(713.6)
Gross profit/ (loss)	3	51.0	15.9	81.2	(7.8)	30.5
Administrative expenses (including exceptional items)	3	(16.0)	(15.0)	(31.1)	(28.3)	(69.8)
Operating profit/ (loss) (including exceptional items)	3	35.0	0.9	50.1	(36.1)	(39.3)
Operating profit/ (loss) pre exceptional items		35.1	1.2	50.7	(36.2)	(27.6)
Exceptional items – administrative expenses	12	(0.1)	(0.3)	(0.6)	0.1	(11.7)
Operating profit/ (loss)		35.0	0.9	50.1	(36.1)	(39.3)
Finance costs		(24.4)	(24.7)	(49.4)	(46.4)	(95.9)
Finance income		-	-	-	4.9	4.9
Exceptional finance costs	12	(0.2)	-	(0.3)	(0.8)	(1.2)
Net finance costs		(24.6)	(24.7)	(49.7)	(42.3)	(92.2)
Profit/ (loss) before income tax and exceptional items		10.7	(23.5)	1.3	(77.7)	(118.6)
Total exceptional items	12	(0.3)	(0.3)	(0.9)	(0.7)	(12.9)
Profit/ (loss) before income tax		10.4	(23.8)	0.4	(78.4)	(131.5)
Income tax	5	1.2	1.1	1.9	1.9	15.8
Profit/ (loss) for the period		11.6	(22.7)	2.3	(76.5)	(115.7)

The notes on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

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Statement of comprehensive income

	13 weeks ended 28 August 2021 £'m	13 weeks ended 29 August 2020 £'m	26 weeks ended 28 August 2021 £'m	26 weeks ended 29 August 2020 £'m	52 weeks ended 27 February 2021 £'m
Profit / (loss) for the period	11.6	(22.7)	2.3	(76.5)	(115.7)
Other comprehensive income/ (expenditure):					
Cash flow hedges	12.5	(25.1)	8.3	(15.5)	(32.1)
Income tax element of cash flow hedges	(2.2)	4.2	(1.4)	1.8	4.1
Total other comprehensive income/ (expenditure), net of income tax	10.3	(20.9)	6.9	(13.7)	(28.0)
Total comprehensive income/ (expenditure) for the period	21.9	(43.6)	9.2	(90.2)	(143.7)
Hedging gains and (losses) transferred to inventory	(0.9)	3.3*	(0.9)	4.5*	9.0

* An adjustment has now been made to present hedging gains and losses transferred to inventory outside of other comprehensive income in both the 13 week period ended 29 August 2020 and in the 26 week period ended 29 August 2020. This brings the prior year comparatives in line with the presentation included in the full year financial statements for the period to 27 February 2021.

The notes on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated balance sheet

		28 August 2021	29 August 2020	27 February 2021
	Note	£'m	£'m	£'m
Assets				
Property, plant and equipment		174.3	215.3	179.5
Right-of-use assets		392.8	422.9	417.8
Intangible assets		47.2	52.5	49.8
Deferred tax asset		15.4	-	15.0
Financial assets – derivative financial instruments	7	0.1	1.2	-
Total non-current assets		629.8	691.9	662.1
Inventories – goods for resale		107.6	98.3	131.8
Trade and other receivables		18.6	20.9	20.5
Financial assets – derivative financial instruments	7	1.2	-	-
Current tax asset		0.3	-	0.3
Cash and cash equivalents		173.0	162.3	110.0
Total current assets		300.7	281.5	262.6
Total assets		930.5	973.4	924.7
Liabilities				
Overdraft		(17.1)	(31.7)	(17.1)
Financial liabilities – borrowings	6	(38.9)	-	-
Financial liabilities – derivative financial instruments	7	(10.9)	(5.7)	(25.9)
Lease liabilities		(135.9)	(73.0)	(84.6)
Trade and other payables		(174.8)	(179.2)	(163.0)
Current income tax liabilities		-	(0.1)	-
Provisions for other liabilities and charges		(0.2)	-	(0.5)
Total current liabilities		(377.8)	(289.7)	(291.1)
Financial liabilities – borrowings	6	(498.6)	(517.4)	(526.5)
Lease liabilities		(385.4)	(452.2)	(446.2)
Financial liabilities – derivative financial instruments	7	(0.1)	(5.8)	(0.8)
Deferred income tax liabilities		-	(0.8)	-
Provisions for other liabilities and charges		(1.4)	-	(1.4)
Total non-current liabilities		(885.5)	(976.2)	(974.9)
Total liabilities		(1,263.3)	(1,265.9)	(1,266.0)
Net liabilities		(332.8)	(292.5)	(341.3)
Shareholders' deficit				
Share capital		17.3	17.3	17.3
Share premium		385.6	385.6	385.6
Merger reserve		(770.1)	(774.3)	(770.1)
Hedge reserve		(1.0)	2.8	(7.0)
Capital redemption reserve		4.6	5.7	4.6
Warrant reserve		-	3.1	-
Retained earnings		30.8	67.3	28.3
Total shareholders' deficit		(332.8)	(292.5)	(341.3)

The notes on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated cash flow statement

	Note	13 weeks ended 28 August 2021 £'m	13 weeks ended 29 August 2020 £'m	26 weeks ended 28 August 2021 £'m	26 weeks ended 29 August 2020 £'m	52 weeks ended 27 February 2021 £'m
Cash flows from operating activities						
Cash generated	8	81.1	126.7	131.3	58.1	80.8
Interest paid		(25.0)	(31.8)	(38.0)	(32.1)	(76.2)
Net cash generated from operating activities		56.1	94.9	93.3	26.0	4.6
Cash flows from investing activities						
Purchases of property, plant and equipment		(3.5)	(4.3)	(6.5)	(8.5)	(15.8)
Purchases of intangible assets		(2.5)	(3.6)	(4.8)	(6.7)	(9.5)
Interest received		-	0.1	-	0.5	0.5
Proceeds from sale of building		-	-	-	-	25.0
Gain on sale of forward contracts		-	-	-	18.3	18.3
Net cash (used in)/generated from investing activities		(6.0)	(7.8)	(11.3)	3.6	18.5
Cash flows from financing activities						
Exceptional finance costs		(0.2)	-	(0.3)	(0.8)	(1.2)
Loan issued		-	25.0	-	25.0	25.0
Bonds issued		-	27.7	-	27.7	27.7
Issue costs		-	(12.1)	-	(12.1)	(13.9)
Repayment of loan		-	-	-	-	(8.3)
Repayment of lease liabilities		(18.7)	-	(18.7)	-	(20.7)
Net cash (used in)/generated from financing activities		(18.9)	40.6	(19.0)	39.8	8.6
Net increase in cash and cash equivalents		31.2	127.7	63.0	69.4	31.7
Net cash and cash equivalents at the beginning of the period		124.7	2.9	92.9	61.2	61.2
Net cash and cash equivalents at the end of the period		155.9	130.6	155.9	130.6	92.9

The notes on pages 9 to 16 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated statement of changes in shareholders' equity

Group	Note	Share	Share	Merger	Hedge	Capital	Warrant	Retained	Total
		capital	premium	reserve	reserve	redemption	reserve	earnings	equity
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
As at 1 March 2020		17.3	385.6	(774.3)	12.0	5.7	3.1	143.6	(207.0)
Comprehensive income									
Loss for the period		-	-	-	-	-	-	(76.5)	(76.5)
Total loss for the period		-	-	-	-	-	-	(76.5)	(76.5)
Other comprehensive income									
Cash flow hedges									
- fair value loss in the period		-	-	-	(15.5)	-	-	-	(15.5)
- tax element of cash flow hedges		-	-	-	1.8	-	-	-	1.8
Total cash flow hedges, net of tax		-	-	-	(13.7)	-	-	-	(13.7)
Total other comprehensive expenditure, net of tax		-	-	-	(13.7)	-	-	-	(13.7)
Hedging gains and losses transferred to the cost of inventory		-	-	-	4.5	-	-	-	4.5
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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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 28 February 2021		17.3	385.6	(770.1)	(7.0)	4.6	-	28.3	(341.3)
Comprehensive income									
Profit for the period		-	-	-	-	-	-	2.3	2.3
Total profit for the period		-	-	-	-	-	-	2.3	2.3
Other comprehensive income									
Cash flow hedges									
- fair value gain in the period		-	-	-	8.3	-	-	-	8.3
- tax element of cash flow hedges		-	-	-	(1.4)	-	-	-	(1.4)
Total cash flow hedges, net of tax		-	-	-	6.9	-	-	-	6.9
Total other comprehensive income, net of tax		-	-	-	6.9	-	-	-	6.9
Hedging gains and losses transferred to the cost of inventory		-	-	-	(0.9)	-	-	-	(0.9)
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 28 August 2021		17.3	385.6	(770.1)	(1.0)	4.6	-	30.8	(332.8)

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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 18 October 2021.

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 28 August 2021 £'m	13 weeks ended 29 August 2020 £'m	26 weeks ended 28 August 2021 £'m	26 weeks ended 29 August 2020 £'m	52 weeks ended 27 February 2021 £'m
Total Revenue	264.7	258.0	486.5	333.3	744.1
Cost of goods sold	(131.1)	(161.9)	(247.6)	(199.7)	(431.4)
Selling expenses	(70.9)	(69.4)	(133.8)	(123.5)	(243.3)
Distribution expenses	(11.7)	(10.8)	(23.9)	(17.9)	(38.9)
Total cost of sales	(213.7)	(242.1)	(405.3)	(341.1)	(713.6)
Gross profit/ (loss)	51.0	15.9	81.2	(7.8)	30.5
Administrative expenses - pre exceptional	(15.9)	(14.7)	(30.5)	(28.4)	(58.1)
Exceptional items- administrative (expenses) / income	(0.1)	(0.3)	(0.6)	0.1	(11.7)
Administrative expenses	(16.0)	(15.0)	(31.1)	(28.3)	(69.8)
Operating profit/ (loss)	35.0	0.9	50.1	(36.1)	(39.3)

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 Group is an omnichannel retailer and as such the customer journey often involves more than one channel. The internal reporting focuses on the Group as a whole and does not identify individual segments.

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 28 August 2021 under IFRS 16 £'m	13 weeks ended 29 August 2020 under IFRS 16 £'m	26 weeks ended 28 August 2021 under IFRS 16 £'m	26 weeks ended 29 August 2020 under IFRS 16 £'m	52 weeks ended 27 February 2021 under IFRS 16 £'m
Operating profit/ (loss)	35.0	0.9	50.1	(36.1)	(39.3)
Depreciation and amortisation	25.9	27.3	52.1	54.5	108.1
Exceptional items	0.1	0.3	0.6	(0.1)	11.7
EBITDA pre exceptionals	61.0	28.5	102.8	18.3	80.5

Reconciliation to IAS 17 EBITDA

EBITDA pre exceptionals under IFRS 16	61.0	28.5	102.8	18.3	80.5
Increase in cost of sales	(21.5)	(25.0)	(46.9)	(50.5)	(101.7)
Increase in administrative expenses	(0.6)	(0.1)	(1.1)	(0.2)	(0.3)
EBITDA pre exceptionals under IAS 17	38.9	3.4	54.8	(32.4)	(21.5)

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.

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Notes to the financial statements (continued)

5. Income tax

Income tax for the 13 week period ended 28 August 2021 is credited at 11.5% and for the 26 week period ended 28 August 2021 is credited at 475.0% (13 weeks ended 29 August 2020: 4.6%; 26 weeks ended 29 August 2020: 2.4%, 52 weeks ended 27 February 2021: 12.0%) 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 11.5% for the period is lower than the standard rate of corporation tax in the UK of 19.0% at the end of August 2021 (August 2020: 19.0%, February 2021: 19.0%). The key reconciling items relate to non-deductible expenses for the period and restatement of the deferred tax asset. The rate of corporation tax is based on a weighted average rate. A UK corporation tax rate of 19% (effective 1 April 2020) was substantially enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. On 24 May 2021 the increase in the corporation tax rate to 25% announced in the March 2021 Budget was substantially enacted (effective from 1 April 2023). This will have a consequential effect on the group's future tax charge. The deferred tax asset at 28 August 2021 has been calculated based on the rate of 25% (2020: 17%).

6. Financial liabilities – borrowings

	28 August 2021 £'m	29 August 2020 £'m	27 February 2021 £'m
Current			
16.5% 1.5 lien secured notes (net of £3.5m issue costs (August 2020: £7.6m; February 2021: £5.5m)) maturity date 2022	(24.2)	-	-
CLBILS (net of £2.0m issue costs (August 2020: £4.1m; February 2021: £3.2m)) maturity date 2022	(14.7)	-	-
	(38.9)	-	-
Non-current			
6.75% First Lien Secured Notes (net of £1.3m issue costs (August 2020: £2.2m; February 2021 £1.7m)) maturity date 2023	(348.7)	(347.8)	(348.3)
9.5% Second Lien Secured Notes (net of £0.7m issue costs (August 2020: £1.0m; February 2021 £0.8m)) maturity date 2024	(79.3)	(79.0)	(79.2)
9.5% Shareholder Notes (net of £0.4m issue costs (August 2020: £0.4m; February 2021: £0.4m)) Maturity date 2024	(49.6)	(49.6)	(49.6)
16.5% 1.5 lien secured notes (net of £3.5m issue costs (August 2020: £7.6m; February 2021: £5.5m)) maturity date 2022	-	(20.1)	(22.2)
CLBILS (net of £2.0m issue costs (August 2020: £4.1m; February 2021: £3.2m)) maturity date 2022	-	(20.9)	(13.5)
Accrued PIK interest	(21.0)	-	(13.7)
	(498.6)	(517.4)	(526.5)

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Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Borrowings are all denominated in sterling at 28 August 2021. 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 year ended 27 February 2021, the Group issued £27.7m 1.5 lien secured notes and received £25m in CLBILS funding. Issue costs were incurred of £13.2m in relation to the 1.5 lien secured notes and CLBILS, and are being amortised over the terms of the facilities. In addition, during the 52 week period ended 27 February 2021 the Group subordinated £50.0m of the Second Lien unsecured notes, held by shareholders of the company. In December 2020, £8.3m of the CLBILS funding was repaid following the sale of the Group's head office.

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.

Maturity of Secured Notes

	28 August 2021	29 August 2020	27 February 2021
	£'m	£'m	£'m
Less than one year	44.4	-	-
One to five years	501.0	532.7	538.1
	545.4	532.7	538.1
Unamortised issue costs	(7.9)	(15.3)	(11.6)
	537.5	517.4	526.5
Current	38.9	-	-
Non-current	498.6	517.4	526.5
	537.5	517.4	526.5

Borrowing facilities

At 28 August 2021 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.

	28 August 2021	29 August 2020	27 February 2021
	£'m	£'m	£'m
Letters of credit	7.5	2.2	7.4
Guarantees	8.0	8.3	8.0
Overdraft	17.1	31.7	17.1
Unused	0.7	7.8	0.8
Subtotal	33.3	50.0	33.3
CLBILS	16.7	25.0	16.7
Total	50.0	75.0	50.0

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Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

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 28 August 2021 is £342.5m (29 August 2020: £409.7m; 27 February 2021: £381.1m).

The net fair value of losses as at 28 August 2021 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases is £9.8m (29 August 2020: losses of £10.3m; 27 February 2021: losses of £26.7m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

8. Cash flow from operating activities

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

	13 weeks ended 28 August 2021 £'m	13 weeks ended 29 August 2020 £'m	26 weeks ended 28 August 2021 £'m	26 weeks ended 29 August 2020 £'m	52 weeks ended 27 February 2021 £'m
Cash generated from operations					
Operating profit/(loss)	35.0	0.9	50.1	(36.1)	(39.3)
Adjustments for:					
Depreciation	22.7	24.9	45.7	49.5	97.2
Amortisation of intangibles	3.2	2.4	6.4	5.0	10.9
Non cash exceptional items	-	-	-	(0.4)	-
Impairment	-	-	-	-	8.3
Gains on sold forward contracts	(4.1)	-	(8.7)	-	-
Share based compensation charge	0.1	0.1	0.2	0.2	0.4
Hedge accounting	(0.2)	0.6	(0.1)	0.6	0.2
Operating cash flows before movements in working capital	56.7	28.9	93.6	18.8	77.7
Movements in working capital:					
Decrease/(increase) in inventories	26.4	66.5	26.9	33.8	2.7
Decrease/(increase) in trade and other receivables	(1.6)	7.0	(14.2)	2.3	(16.6)
Decrease/(increase) in trade and other payables	(0.4)	24.3	25.0	3.2	17.0
Net cash flows from operating activities	81.1	126.7	131.3	58.1	80.8

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Notes to the financial statements (continued)

9. Reconciliation of liabilities

	Loans and borrowings	Lease liabilities	Total
	£'m	£'m	£'m
Opening balance as at 28 February 2021	(543.6)	(530.8)	(1,074.4)
Interest paid	14.6	22.7	37.3
Amortisation of issue costs	(3.7)	-	(3.7)
Interest expense	(21.9)	(22.8)	(44.7)
Lease modifications and additions	-	(9.1)	(9.1)
Repayment of lease liability	-	18.7	18.7
Closing balance as at 28 August 2021	(554.6)	(521.3)	(1,075.9)

The loans and borrowings balance of £554.6m is inclusive of current borrowings of £38.9m (note 6), non-current borrowings of £498.6m (note 6) and overdraft of £17.1m (note 6).

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

In the prior year, the Group disposed of the subsidiary which held the head office. The subsidiary was sold to JMax Knowsley Limited, which is a company controlled by a member of the Hargreaves Family for consideration of £1. £24,999,999 was then paid on behalf of the sold subsidiary to settle intercompany balances with Matalan Retail Limited. The Group received rental charges from JMax Knowsley Limited of £0.5m in the 13 week period ended 28 August 2021 and £1.0m in the 26 week period ended 28 August 2021 (13 weeks ended 29 August 2020: £nil; 26 weeks ended 29 August 2020: £ nil; 52 weeks ended 27 February 2021: £0.3m). As at 28 August 2021 £0.5m was outstanding (29 August 2020: £nil; 27 February 2021 £0.3m).

The Group purchased from and provided IT services to companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 28 August 2021 was £1.8m and in the 26 week period ended 28 August 2021 was £3.4m (13 weeks ended 29 August 2020: £0.8m; 26 weeks ended 29 August 2020: £1.6m; 52 weeks ended 27 February 2021: £4.0m) of which £0.4m was outstanding at 28 August 2021 (29 August 2020: £0.3m; 27 February 2021: £0.3m).

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Notes to the financial statements (continued)

11. Related party transactions (continued)

The Group purchased clothing for resale from companies associated with the Hargreaves family. Purchases during both the 13 week and 26 week periods ended 28 August 2021 were £nil (13 weeks ended 29 August 2020: £nil; 26 weeks ended 29 August 2020: £nil; 52 weeks ended 27 February 2021: £0.1m) of which £nil was outstanding at 28 August 2021 (29 August 2020: £nil; 27 February 2021: £nil).

The Group used the clothing design services of companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 28 August 2021 was £0.1m and in the 26 week period ended 28 August 2021 was £0.2m (13 weeks ended 29 August 2020: £nil; 26 weeks ended 29 August 2020: £0.1m; 52 weeks ended 27 February 2021: £0.1m) of which £nil was outstanding at 28 August 2021 (29 August 2020: £nil; 27 February 2021: £nil).

The Group incurred costs relating to the Hargreaves family and associated companies. The expenditure incurred during both the 13 week and 26 week periods ended 28 August 2021 was £nil (13 weeks ended 29 August 2020: £0.1m; 26 weeks ended 29 August 2020: £0.1m; 52 weeks ended 27 February 2021: £0.2m) of which £nil was outstanding at 28 August 2021 (29 August 2020: £0.1m, 27 February 2021: £nil).

12. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 28 August 2021 £'m	13 weeks ended 29 August 2020 £'m	26 weeks ended 28 August 2021 £'m	26 weeks ended 29 August 2020 £'m	52 weeks ended 27 February 2021 £'m
Restructuring costs	(0.1)	(0.3)	(0.6)	(0.3)	(2.0)
Other income	-	-	-	0.4	0.4
Impairment of building	-	-	-	-	(4.6)
Impairment of Oxford Street store	-	-	-	-	(5.5)
Exceptional items - administrative (expenses)/income	(0.1)	(0.3)	(0.6)	0.1	(11.7)
Finance expenses	(0.2)	-	(0.3)	(0.8)	(1.2)
Exceptional items – finance expenses	(0.2)	-	(0.3)	(0.8)	(1.2)
Total exceptional items	(0.3)	(0.3)	(0.9)	(0.7)	(12.9)

Restructuring costs

£0.1m restructuring costs were incurred during the 13 week period ended 28 August 2021 and £0.6m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £0.3m; 26 week period ended 29 August 2020: £0.3m; 52 week period ended 27 February 2021: £2.0m).

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Notes to the financial statements (continued)

12. Exceptional items (continued)

Other income

In both the 13 week and 26 week periods ended 28 August 2021 the group recognised £nil other income (13 week period ended 29 August 2020: £nil; 26 week period ended 29 August 2020: £0.4m; 52 week period ended 27 February 2021: £0.4m).

Impairment of building

In the 52 week period ended 27 February 2021, the Group disposed of the subsidiary company which held the head office fixed asset. The Group impaired the value of the head office to fair value, being £25.0m, and incurred an impairment loss of £4.6m.

Impairment of Oxford Street store

In the 52 week period ended 27 February 2021, following the impact of COVID-19 on the high street, the Group deemed it necessary to impair the right-of-use asset relating to the Oxford street store and provide for the fixed establishment costs up to the end of their contract.

Finance expense

In the 13 week period ended 28 August 2021 the group recognised £0.2m of exceptional finance costs and £0.3m in the 26 week period ended 28 August 2021 (13 week period ended 29 August 2020: £nil; 26 week period ended 29 August 2020: £0.8m; 52 week period ended 27 February 2021: £1.2m).