

REGISTERED NUMBER: 00045618

MISSOURI TOPCO LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13 WEEKS ENDED 27 AUGUST 2022

MISSOURI TOPCO LIMITED

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MISSOURI TOPCO LIMITED

Results of operations for the 13 weeks ended 27 August 2022

Revenue

Revenue increased by 8.2% to £286.4m in the 13 week period ended 27 August 2022 and increased by 17.8% to £572.9m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £264.7m; 26 week period ended 28 August 2021: £486.5m; 52 week period ended 26 February 2022: £1,027.1m).

Cost of sales and gross profit

Cost of sales increased by 22.3% to £261.4m in the 13 week period ended 27 August 2022 and increased by 27.2% to £515.5m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £213.7m; 26 week period ended 28 August 2021: £405.3m; 52 week period ended 26 February 2022: £877.4m).

Gross profit decreased by 51.0% to £25.0m in the 13 week period ended 27 August 2022 and decreased by 29.3% to £57.4m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £51.0m; 26 week period ended 29 August 2021: £81.2m; 52 week period ended 26 February 2022: £149.7m).

Gross profit as a percentage of revenue decreased to 8.7% in the 13 week period ended 27 August 2022 and to 10.0% in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: 19.3%; 26 week period ended 28 August 2021: 16.7%; 52 week period ended 26 February 2022: 14.6%).

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) decreased by £0.1m to £15.9m in the 13 week period ended 27 August 2022 and increased by £0.2m to £31.3m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £16.0m; 26 week period ended 28 August 2021: £31.1m; 52 week period ended 26 February 2022: £60.0m).

Exceptional administrative expenses of £0.4m were debited to the income statement in the 13 week period ended 27 August 2022 and £0.4m were debited to the income statement in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £0.1m; 26 week period ended 28 August 2021: £0.6m; 52 week period ended 26 February 2022: £2.5m).

Operating profit

Operating profit pre-exceptional items decreased by £25.6m to £9.5m in the 13 week period ended 27 August 2022 and decreased by £24.2m to £26.5m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £35.1m; 26 week period ended 28 August 2021: £50.7m; 52 week period ended 26 February 2022: £92.2m).

Net finance costs (including exceptional items)

Net finance costs (including exceptional items) were £23.2m in the 13 week period ended 27 August 2022 and £47.3m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £24.6m; 26 week period ended 28 August 2021: £49.7m; 52 week period ended 26 February 2022: £97.4m).

Exceptional finance costs of £nil occurred in the 13 week period ended 27 August 2022 and £nil in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £0.2m; 26 week period ended 28 August 2021: £0.3m; 52 week period ended 26 February 2022: £0.4m).

Taxation

Taxation in the 13 week period ended 27 August 2022 was a £2.0m credit and a £2.1m credit in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £1.2m credit; 26 week period ended 28 August 2021: £1.9m credit; 52 week period ended 26 February 2022: £5.6m credit).

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Results of operations for the 13 weeks ended 27 August 2022 (continued)

(Loss)/ profit for the period

The loss in the 13 week period ended 27 August 2022 was £12.1m and the loss in the 26 week period ended 27 August 2022 was £19.1m (13 week period ended 28 August 2021: £11.6m profit; 26 week period ended 28 August 2021: £2.3m profit; 52 week period ended 26 February 2022: £2.1m loss).

Cash flow

Cash flows from operating activities decreased by £43.2m to a £12.9m inflow in the 13 week period ended 27 August 2022 and decreased by £54.9m to a £38.4m inflow in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £56.1m inflow; 26 week period ended 28 August 2021: £93.3m inflow; 52 week period ended 26 February 2022: £109.0m inflow).

Net cash used in investing activities was a £11.4m outflow in the 13 week period ended 27 August 2022 and a £21.6m outflow in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £6.0m outflow; 26 week period ended 28 August 2021: £11.3m outflow; 52 week period ended 26 February 2022: £22.5m outflow).

Net cash used in financing activities was a £63.5m outflow in the 13 week period ended 27 August 2022 and a £82.9m outflow in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £18.9m outflow; 26 week period ended 28 August 2021: £19.0m outflow; 52 week period ended 26 February 2022: £71.4m outflow).

Net cash decreased by £62.0m in the 13 week period ended 27 August 2022 and decreased by £66.1m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £31.2m increase; 26 week period ended 28 August 2021: £63.0m increase; 52 weeks ended 26 February 2022: £15.1m increase). The net cash and cash equivalents balance (net of Term Loan) as at 27 August 2022 was £41.9m.

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Condensed consolidated income statement

	Note	13 weeks ended 27 August 2022 £'m	13 weeks ended 28 August 2021 £'m	26 weeks ended 27 August 2022 £'m	26 weeks ended 28 August 2021 £'m	52 weeks ended 26 February 2022 £'m
Revenue	3	286.4	264.7	572.9	486.5	1,027.1
Cost of sales	3	(261.4)	(213.7)	(515.5)	(405.3)	(877.4)
Gross profit	3	25.0	51.0	57.4	81.2	149.7
Administrative expenses (including exceptional items)	3	(15.9)	(16.0)	(31.3)	(31.1)	(60.0)
Operating profit (including exceptional items)	3	9.1	35.0	26.1	50.1	89.7
Operating profit pre exceptional items		9.5	35.1	26.5	50.7	92.2
Exceptional items – administrative expenses	12	(0.4)	(0.1)	(0.4)	(0.6)	(2.5)
Operating profit		9.1	35.0	26.1	50.1	89.7
Finance costs		(23.2)	(24.4)	(47.3)	(49.4)	(97.0)
Finance income		-	-	-	-	-
Exceptional finance costs	12	-	(0.2)	-	(0.3)	(0.4)
Net finance costs		(23.2)	(24.6)	(47.3)	(49.7)	(97.4)
(Loss)/ profit before income tax and exceptional items		(13.7)	10.7	(20.8)	1.3	(4.8)
Total exceptional items	12	(0.4)	(0.3)	(0.4)	(0.9)	(2.9)
(Loss)/ profit before income tax		(14.1)	10.4	(21.2)	0.4	(7.7)
Income tax	5	2.0	1.2	2.1	1.9	5.6
(Loss)/ profit for the period		(12.1)	11.6	(19.1)	2.3	(2.1)

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 27 August 2022 £'m	13 weeks ended 28 August 2021 £'m	26 weeks ended 27 August 2022 £'m	26 weeks ended 28 August 2021 £'m	52 weeks ended 26 February 2022 £'m
(Loss)/ profit for the period	(12.1)	11.6	(19.1)	2.3	(2.1)
Other comprehensive income:					
Cash flow hedges	6.8	12.5	22.0	8.3	20.6
Income tax element of cash flow hedges	(0.6)	(2.2)	(2.9)	(1.4)	(2.9)
Total other comprehensive income, net of income tax	6.2	10.3	19.1	6.9	17.7
Total comprehensive (expenditure)/ income for the period	(5.9)	21.9	-	9.2	15.6
Hedging losses transferred to inventory	(3.8)	(0.9)	(7.1)	(0.9)	(5.2)

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

	Note	27 August 2022 £'m	28 August 2021 £'m	26 February 2022 £'m
Assets				
Property, plant and equipment		174.7	174.3	170.1
Right-of-use assets		354.1	392.8	373.8
Intangible assets		37.8	47.2	42.4
Deferred tax asset		16.8	15.4	17.6
Financial assets – derivative financial instruments	7	-	0.1	0.1
Total non-current assets		583.4	629.8	604.0
Inventories – goods for resale		152.7	107.6	125.1
Trade and other receivables		36.0	18.6	30.8
Financial assets – derivative financial instruments	7	29.8	1.2	7.8
Current tax asset		0.3	0.3	0.3
Restricted cash and cash equivalents		0.3	-	-
Unrestricted cash and cash equivalents		101.6	173.0	125.1
Total current assets		320.7	300.7	289.1
Total assets		904.1	930.5	893.1
Liabilities				
Overdraft		-	(17.1)	(17.1)
Term loan	6	(60.0)	-	-
Financial liabilities – borrowings	6	(349.6)	(38.9)	(391.4)
Financial liabilities – derivative financial instruments	7	-	(10.9)	(0.1)
Short-term lease liabilities		(102.2)	(135.9)	(110.7)
Trade and other payables		(205.4)	(174.8)	(171.1)
Current income tax liabilities		-	-	-
Provisions for other liabilities and charges		(0.7)	(0.2)	(0.7)
Total current liabilities		(717.9)	(377.8)	(691.1)
Financial liabilities – borrowings	6	(164.6)	(498.6)	(156.8)
Financial liabilities – derivative financial instruments	7	-	(0.1)	-
Long-term lease liabilities		(356.9)	(385.4)	(374.8)
Deferred income tax liabilities		-	-	-
Provisions for other liabilities and charges		(2.1)	(1.4)	(0.9)
Total non-current liabilities		(523.6)	(885.5)	(532.5)
Total liabilities		(1,241.5)	(1,263.3)	(1,223.6)
Net liabilities		(337.4)	(332.8)	(330.5)
Shareholders' deficit				
Share capital		17.3	17.3	17.3
Share premium		385.6	385.6	385.6
Hedge reserve		17.5	(1.0)	5.5
Merger reserve		(770.1)	(770.1)	(770.1)
Warrant reserve		-	-	-
Capital redemption reserve		4.6	4.6	4.6
Retained earnings		7.7	30.8	26.6
Total shareholders' deficit		(337.4)	(332.8)	(330.5)

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 27 August 2022 £'m	13 weeks ended 28 August 2021 £'m	26 weeks ended 27 August 2022 £'m	26 weeks ended 28 August 2021 £'m	52 weeks ended 26 February 2022 £'m
Cash flows from operating activities						
Cash generated from operations	8	39.9	81.1	77.3	131.3	184.2
Interest paid		(27.0)	(25.0)	(38.9)	(38.0)	(75.2)
Net cash generated from operating activities		12.9	56.1	38.4	93.3	109.0
Cash flows from investing activities						
Purchases of property, plant and equipment		(8.3)	(3.5)	(16.1)	(6.5)	(14.1)
Purchases of intangible assets		(3.1)	(2.5)	(5.5)	(4.8)	(8.4)
Net cash used in investing activities		(11.4)	(6.0)	(21.6)	(11.3)	(22.5)
Cash flows from financing activities						
Exceptional finance costs		-	(0.2)	-	(0.3)	(0.4)
Issue costs		-	-	-	-	0.1
Repayment of lease liabilities		(19.1)	(18.7)	(38.5)	(18.7)	(71.1)
Repayment of borrowings		(44.4)	-	(44.4)	-	-
Net cash used in financing activities		(63.5)	(18.9)	(82.9)	(19.0)	(71.4)
Net (decrease)/ increase in cash and cash equivalents		(62.0)	31.2	(66.1)	63.0	15.1
Net cash and cash equivalents at the beginning of the period		103.9	124.7	108.0	92.9	92.9
Net cash and cash equivalents at the end of the period		41.9	155.9	41.9	155.9	108.0

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 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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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 27 February 2022		17.3	385.6	(770.1)	5.5	4.6	-	26.6	(330.5)
Comprehensive income									
Loss for the period		-	-	-	-	-	-	(19.1)	(19.1)
Total loss for the period		-	-	-	-	-	-	(19.1)	(19.1)
Other comprehensive income									
Cash flow hedges									
- fair value gain in the period		-	-	-	22.0	-	-	-	22.0
- tax element of cash flow hedges		-	-	-	(2.9)	-	-	-	(2.9)
Total cash flow hedges, net of tax		-	-	-	19.1	-	-	-	19.1
Total other comprehensive income, net of tax		-	-	-	19.1	-	-	-	19.1
Hedging gains and losses transferred to the cost of inventory		-	-	-	(7.1)	-	-	-	(7.1)
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 27 August 2022		17.3	385.6	(770.1)	17.5	4.6	-	7.7	(337.4)

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 presentational currency and the parent Company's functional currency. All amounts presented in the financial statements have been rounded to the nearest £0.1m, unless otherwise stated. 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 17 October 2022.

2. Summary of accounting policies and new standards

Basis of preparation

The annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards ('adopted IFRSs').

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 27 August 2022	13 weeks ended 28 August 2021	26 weeks ended 27 August 2022	26 weeks ended 28 August 2021	52 weeks ended 26 February 2022
	£'m	£'m	£'m	£'m	£'m
Total revenue	286.4	264.7	572.9	486.5	1,027.1
Cost of goods sold	(168.8)	(131.1)	(329.6)	(247.6)	(542.8)
Selling expenses	(79.7)	(70.9)	(159.4)	(133.8)	(282.5)
Distribution expenses	(12.9)	(11.7)	(26.5)	(23.9)	(52.1)
Total cost of sales	(261.4)	(213.7)	(515.5)	(405.3)	(877.4)
Gross profit	25.0	51.0	57.4	81.2	149.7
Administrative expenses – pre exceptional items	(15.5)	(15.9)	(30.9)	(30.5)	(57.5)
Exceptional items – administrative expenses	(0.4)	(0.1)	(0.4)	(0.6)	(2.5)
Total administrative expenses	(15.9)	(16.0)	(31.3)	(31.1)	(60.0)
Operating profit	9.1	35.0	26.1	50.1	89.7

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 27 August 2022 under IFRS 16 £'m	13 weeks ended 28 August 2021 under IFRS 16 £'m	26 weeks ended 27 August 2022 under IFRS 16 £'m	26 weeks ended 28 August 2021 under IFRS 16 £'m	52 weeks ended 26 February 2022 under IFRS 16 £'m
Operating profit	9.1	35.0	26.1	50.1	89.7
Depreciation and amortisation	27.2	25.9	54.6	52.1	105.6
Exceptional items	0.4	0.1	0.4	0.6	2.5
EBITDA pre exceptionals	36.7	61.0	81.1	102.8	197.8

Reconciliation to IAS 17 EBITDA pre exceptionals

EBITDA pre exceptionals under IFRS 16	36.7	61.0	81.1	102.8	197.8
Increase in cost of sales	(22.9)	(21.5)	(46.5)	(46.9)	(95.2)
Increase in administrative expenses	(0.7)	(0.6)	(1.3)	(1.1)	(2.3)
EBITDA pre exceptionals under IAS 17	13.1	38.9	33.3	54.8	100.3

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.

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Notes to the financial statements (continued)

5. Income tax

Income tax for the 13 week period ended 27 August 2022 is credited at 14.2% and for the 26 week period ended 27 August 2022 is credited at 9.9% (13 weeks ended 28 August 2021: 11.5%; 26 weeks ended 28 August 2021: 475.0%, 52 weeks ended 26 February 2022: 72.7%) 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 14.2% for the period is lower than the standard rate of corporation tax in the UK of 19.0% at the end of August 2022 (August 2021: 19.0%, February 2022: 19.0%). The key reconciling items relate to non-deductible expenses for the period. The rate of corporation tax is based on a weighted average rate. A UK corporation tax rate of 19% (effective 1 April 2020) was substantively 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 substantively enacted (effective from 1 April 2023). This will have a consequential effect on the group's future tax charge. The deferred tax asset at 27 August 2022 has been calculated based on the rate of 25% (2021: 25%).

6. Financial liabilities – borrowings

	27 August 2022 £'m	28 August 2021 £'m	26 February 2022 £'m
Current			
6.75% First Lien Secured Notes (net of £0.4m issue costs (August 2021: £1.3m; February 2022 £0.8m)) maturity date 2023	(349.6)	-	(349.2)
16.5% 1.5 Lien Secured Notes (net of £nil issue costs (August 2021: £3.5m; February 2022: £1.4m)) maturity date 2022	-	(24.2)	(26.3)
CLBILS (net of £nil issue costs (August 2021: £2.0m; February 2022: £0.8m)) maturity date 2022	-	(14.7)	(15.9)
Term Loan	(60.0)	-	-
	(409.6)	(38.9)	(391.4)
Non-current			
6.75% First Lien Secured Notes (net of £0.4m issue costs (August 2021: £1.3m; February 2022 £0.8m)) maturity date 2023	-	(348.7)	-
9.5% Second Lien Secured Notes (net of £0.4m issue costs (August 2021: £0.7m; February 2022 £0.5m)) maturity date 2024	(79.6)	(79.3)	(79.5)
9.5% Shareholder Notes (net of £0.2m issue costs (August 2021: £0.4m; February 2022: £0.3m)) maturity date 2024	(49.8)	(49.6)	(49.7)
16.5% 1.5 Lien Secured Notes (net of £nil issue costs (August 2021: £3.5m; February 2022: £1.4m)) maturity date 2022	-	-	-
CLBILS (net of £nil issue costs (August 2021: £2.0m; February 2022: £0.8m)) maturity date 2022	-	-	-
Accrued PIK interest	(35.2)	(21.0)	(27.6)
	(164.6)	(498.6)	(156.8)

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Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Borrowings are all denominated in sterling at 27 August 2022. 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.

In the 52 week period ended 27 February 2021, the Group issued £27.7m 1.5 lien secured notes and received £25.0m in CLBILS funding. Issue costs were incurred of £13.2m in relation to the 1.5 lien secured notes and CLBILS, and were 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. In the 13 week period to 27 August 2022, the Group repaid in full its CLBILS facility and the 1.5 lien secured notes at their maturity date. At the same time, the Group repaid its Revolving Credit Facility (RCF) and replaced it with a new £60.0m asset-backed Term Loan, which was fully drawn at 27 August 2022.

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

	27 August 2022	28 August 2021	26 February 2022
	£'m	£'m	£'m
Less than one year	410.0	44.4	394.4
One to five years	165.2	501.0	157.6
Five to ten years	-	-	-
	575.2	545.4	552.0
Unamortised issue costs	(1.0)	(7.9)	(3.8)
	574.2	537.5	548.2
Current	409.6	38.9	391.4
Non-current	164.6	498.6	156.8
	574.2	537.5	548.2

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Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Borrowing facilities

The table below reflects the usage of the old Revolving Credit Facilities (RCF), which matured at 25 July 2022, and the replacement £60.0m asset-backed Term Loan at the balance sheet date. These facilities are subject to an annual review and incur fees at market rates.

	27 August 2022	28 August 2021	26 February 2022
	£'m	£'m	£'m
Letters of credit	-	7.5	7.5
Guarantees	-	8.0	0.5
Overdraft	-	17.1	17.1
Term loan	60.0	-	-
Unused	-	0.7	8.2
Subtotal	60.0	33.3	33.3
CLBILS	-	16.7	16.7
Total	60.0	50.0	50.0

At 27 August 2022, the borrowing facilities comprise of the £60.0m fully drawn asset-backed Term Loan.

In addition, the Group negotiated a new £8.0m cash-collateralised ancillary facility with its bankers. The cash collateral associated with this ancillary facility is reflected as restricted cash and cash equivalents on the balance sheet.

The table below reflects the usage of the new cash-collateralised ancillary facility at the balance sheet date.

	27 August 2022	28 August 2021	26 February 2022
	£'m	£'m	£'m
Letters of credit	-	-	-
Guarantees	0.3	-	-
Unused	7.7	-	-
Total	8.0	-	-

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.

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Notes to the financial statements (continued)

7. Derivative financial instruments

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 27 August 2022 is £205.6m (28 August 2021: £342.5m; 26 February 2022: £381.7m).

The net fair value of gains as at 27 August 2022 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases is £29.8m (28 August 2021: £9.8m; 26 February 2022: £7.8m). 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 27 August 2022 £'m	13 weeks ended 28 August 2021 £'m	26 weeks ended 27 August 2022 £'m	26 weeks ended 28 August 2021 £'m	52 weeks ended 26 February 2022 £'m
Cash generated from operations					
Operating profit	9.1	35.0	26.1	50.1	89.7
Adjustments for:					
Depreciation	22.0	22.7	44.2	45.7	89.8
Amortisation of intangibles	5.3	3.2	10.5	6.4	15.8
Gains on sold forward contracts	-	(4.1)	-	(8.7)	(13.9)
Share based compensation charge	0.1	0.1	0.2	0.2	0.4
Hedge accounting	0.2	(0.2)	0.1	(0.1)	(0.1)
Operating cash flows before movements in working capital	36.7	56.7	81.1	93.6	181.7
Movements in working capital:					
(Increase)/ decrease in inventories	(4.6)	26.4	(27.0)	26.9	7.4
Decrease/(increase) in trade and other receivables	2.9	(1.6)	4.5	(14.2)	0.6
Increase/(decrease) in trade and other payables	4.9	(0.4)	18.7	25.0	(5.5)
Net cash flows from operating activities	39.9	81.1	77.3	131.3	184.2

MISSOURI TOPCO LIMITED

Notes to the financial statements (continued)

9. Reconciliation of liabilities

	Loans and borrowings £'m	Lease liabilities £'m	Total £'m
Opening balance as at 27 February 2022	(565.3)	(485.5)	(1,050.8)
Repayment of lease liability	-	38.5	38.5
Interest paid	15.0	23.9	38.9
Repayment of RCF overdraft	17.1	-	17.1
Drawdown of Term Loan	(60.0)	-	(60.0)
Repayment of borrowings	44.4	-	44.4
Amortisation of issue costs	(2.8)	-	(2.8)
Interest expense	(22.6)	(21.3)	(43.9)
Lease modifications and additions	-	(14.7)	(14.7)
Closing balance as at 27 August 2022	(574.2)	(459.1)	(1,033.3)

The loans and borrowings balance of £574.2m is inclusive of current borrowings of £409.6m (note 6) and non-current borrowings of £164.6m (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 on all the assets of the Group.

11. Related party transactions

During the 52 weeks ended 27 February 2021, 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 £0.6m in the 13 week period ended 27 August 2022 and £1.2m in the 26 week period ended 27 August 2022 (13 weeks ended 28 August 2021: £0.5m; 26 weeks ended 28 August 2021: £1.0m; 52 weeks ended 26 February 2022: £2.2m). As at 27 August 2022 £nil was outstanding (28 August 2021: £0.5m; 26 February 2022 £nil).

The Group purchased IT services from companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 27 August 2022 was £1.1m and in the 26 week period ended 27 August 2022 was £2.2m (13 weeks ended 28 August 2021: £1.8m; 26 weeks ended 28 August 2021: £3.4m; 52 weeks ended 26 February 2022: £5.0m) of which £nil was outstanding at 27 August 2022 (28 August 2021: £0.4m; 26 February 2022: £0.4m).

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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 the 13 week period ended 27 August 2022 were £0.1m and in the 26 week period ended 27 August 2022 were £0.2m (13 weeks ended 28 August 2021: £nil; 26 weeks ended 28 August 2021: £nil; 52 weeks ended 26 February 2022: £0.3m) of which £nil was outstanding at 27 August 2022 (28 August 2021: £nil; 26 February 2022: £nil).

The Group used the clothing design services of companies associated with the Hargreaves family. The expenditure incurred during both the 13 week and 26 week periods ended 27 August 2022 was £nil (13 weeks ended 28 August 2021: £0.1m; 26 weeks ended 28 August 2021: £0.2m; 52 weeks ended 26 February 2022: £0.1m) of which £nil was outstanding at 27 August 2022 (28 August 2021: £nil; 26 February 2022: £nil).

The Group incurred sundry costs relating to the Hargreaves family and associated companies. The expenditure incurred during both the 13 week and 26 week periods ended 27 August 2022 was £0.1m (13 weeks ended 28 August 2021: £nil; 26 weeks ended 28 August 2021: £nil; 52 weeks ended 26 February 2022: £0.3m) of which £nil was outstanding at 27 August 2022 (28 August 2021: £nil; 26 February 2022: £nil).

12. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 27 August 2022 £'m	13 weeks ended 28 August 2021 £'m	26 weeks ended 27 August 2022 £'m	26 weeks ended 28 August 2021 £'m	52 weeks ended 26 February 2022 £'m
Restructuring costs	(0.4)	(0.1)	(0.4)	(0.6)	(2.5)
Exceptional items – administrative expenses	(0.4)	(0.1)	(0.4)	(0.6)	(2.5)
Finance expenses	-	(0.2)	-	(0.3)	(0.4)
Exceptional items – finance expenses	-	(0.2)	-	(0.3)	(0.4)
Total exceptional items	(0.4)	(0.3)	(0.4)	(0.9)	(2.9)

Restructuring costs

£0.4m restructuring costs were incurred during the 13 week period ended 27 August 2022 and £0.4m in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £0.1m; 26 week period ended 28 August 2021: £0.6m; 52 week period ended 26 February 2022: £2.5m).

Finance expense

In the 13 week period ended 27 August 2022 the group recognised £nil exceptional finance costs and £nil in the 26 week period ended 27 August 2022 (13 week period ended 28 August 2021: £0.2m; 26 week period ended 28 August 2021: £0.3m; 52 week period ended 26 February 2022: £0.4m).