

Registered No: 00045618

Missouri Topco Limited

Condensed Consolidated Interim Financial Statements

13 weeks ended 28 November 2015

Missouri Topco Limited

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Missouri Topco Limited

Results of operations for the 13 weeks ended 28 November 2015

Revenue

Revenue increased by 1.5% to £302.5m in the 13 week period ended 28 November 2015 and decreased by 2.2% to £817.3m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £298.0m; 39 week period ended 29 November 2014: £835.3m; 52 week period ended 28 February 2015: £1,094.0m).

Cost of sales and gross profit (including exceptional items)

Costs of sales increased by 5.5% to £262.4m in the 13 week period ended 28 November 2015 and increased by 3.4% to £748.1m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £248.8m; 39 week period ended 29 November 2014: £723.3m; 52 week period ended 28 February 2015: £961.8m).

Gross profit decreased by 18.5% to £40.1m in the 13 week period ended 28 November 2015 and decreased by 38.2% to £69.2m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £49.2m; 39 week period ended 29 November 2014: £112m; 52 week period ended 28 February 2015: £132.2m).

Gross profit as a percentage of revenue decreased to 13.3% in the 13 week period ended 28 November 2015 and decreased to 8.5% in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: 16.5%; 39 week period ended 29 November 2014: 13.4%; 52 week period ended 28 February 2015: 12.1%)

Exceptional items included within selling costs were £0.6m in both the 13 week and 39 week periods ended 28 November 2015 (13 week and 39 week periods ended 29 November 2014: £nil; 52 week period ended 28 February 2015: £nil).

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) decreased by 5.1% to £16.6m in the 13 week period ended 28 November 2015 and decreased by 1.0% to £48.9m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £17.5m; 39 week period ended 29 November 2014: £49.4m; 52 week period ended 28 February 2015: £71.1m).

Exceptional items included within administrative costs were £0.7m in the 13 week period ended 28 November 2015 and £3.3m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £0.4m; 39 week period ended 29 November 2014: £1.0m; 52 week period ended 28 February 2015: £9.2m).

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Results of operations for the 13 weeks ended 28 November 2015 (continued)

Operating profit

Operating profit, after exceptional items, decreased by 25.9% to £23.5m in the 13 week period ended 28 November 2015 and decreased by 67.6% to £20.3m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £31.7m; 39 week period ended 29 November 2014: £62.6m; 52 week period ended 28 February 2015: £61.1m).

Net finance costs (including exceptional items)

Net finance costs increased by £0.2m to £9.7m in the 13 week period ended 28 November 2015 and decreased by £20.7m to £29.0m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £9.5m; 39 week period ended 29 November 2014: £49.7m; 52 week period ended 28 February 2015: £59.6m).

The exceptional finance costs incurred in the prior periods relate to the June 2014 refinancing exercise and include charges for the accelerated amortisation of issue costs relating to the Senior Notes and Senior Secured Notes previously in issue together with associated redemption costs.

Income tax

Income tax for both the 13 week period ended 28 November 2015 and 39 week period ended 28 November 2015 was £nil (13 week period ended 29 November 2014: £7.4m; 39 week period ended 29 November 2014: £4.2m; 52 week period ended 28 February 2015: £1.9m). This represents the best estimate of the effective annual tax rate expected for the full year, applied to the pre-tax profit for the 13 and 39 week periods.

Profit/ (loss) for the period

Profit for the period was £13.8m in the 13 week period ended 28 November 2015 and loss of £8.7m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £14.8m profit; 39 week period ended 29 November 2014: £8.7m profit; 52 week period ended 28 February 2015: £0.4m loss).

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Results of operations for the 13 weeks ended 28 November 2015 (continued)

Cash flow

Cash flows from operations increased by £1.4m to £10.2m in the 13 week period ended 28 November 2015 and decreased by £69.0m to £31.2m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £8.8m; 39 week period ended 29 November 2014: £100.2m; 52 week period ended 28 February 2015: £110.6m).

Net cash used in investing activities was £6.9m in the 13 week period ended 28 November 2015 and £26.1m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £11.2m; 39 week period ended 29 November 2014: £26.3m; 52 week period ended 28 February 2015: £35.1m).

Net cash from financing activities was £nil in the 13 week period ended 28 November 2015 and £0.4m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014 net cash used in financing activities of £0.1m; 39 week period ended 29 November 2014: £2.0m used; 52 week period ended 28 February 2015: £2.0m used). This reflects the transactions relating to the June 2014 refinancing exercise.

Cash decreased by £16.4m in the 13 week period ended 28 November 2015 and decreased by £33.0m in the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £22.2m decrease; 39 week period ended 29 November 2014: £21.8m increase; 52 week period ended 28 February 2015: £21.6m increase). The cash balance as at 28 November 2015 was £60.5m. This represents a £33.2m decrease on the cash balance as at 29 November 2014.

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Condensed consolidated income statement

	Note	13 weeks ended 28 November 2015 £'m	13 weeks ended 29 November 2014 £'m	39 weeks ended 28 November 2015 £'m	39 weeks ended 29 November 2014 £'m	52 weeks ended 28 February 2015 £'m
Revenue	3	302.5	298.0	817.3	835.3	1,094.0
Cost of sales	3	(262.4)	(248.8)	(748.1)	(723.3)	(961.8)
Gross profit (including exceptional items)	3	40.1	49.2	69.2	112.0	132.2
Administrative expenses (including exceptional items)	3	(16.6)	(17.5)	(48.9)	(49.4)	(71.1)
Operating profit	3	23.5	31.7	20.3	62.6	61.1
Operating profit pre exceptional items		24.8	32.1	24.2	63.6	70.3
Exceptional items – selling costs	14	(0.6)	-	(0.6)	-	-
Exceptional items - administrative costs	14	(0.7)	(0.4)	(3.3)	(1.0)	(9.2)
Operating profit		23.5	31.7	20.3	62.6	61.1
Finance costs		(9.7)	(9.7)	(29.2)	(31.1)	(41.2)
Exceptional items - finance costs	14	-	-	-	(19.2)	(19.2)
Finance income		-	0.2	0.2	0.6	0.8
Net finance costs		(9.7)	(9.5)	(29.0)	(49.7)	(59.6)
Profit/ (loss) before income tax and exceptional items		15.1	22.6	(4.8)	33.1	29.9
Total exceptional items	14	(1.3)	(0.4)	(3.9)	(20.2)	(28.4)
Profit/ (loss) before income tax		13.8	22.2	(8.7)	12.9	1.5
Income tax	6	-	(7.4)	-	(4.2)	(1.9)
Profit/ (loss) for the period		13.8	14.8	(8.7)	8.7	(0.4)
Attributable to:						
Equity holders of the parent		14.0	14.8	(8.3)	8.7	(0.4)
Non controlling interest	5	(0.2)	-	(0.4)	-	-
Profit/ (loss) for the period		13.8	14.8	(8.7)	8.7	(0.4)

The notes on pages 10 to 21 form an integral part of this condensed consolidated interim financial information.

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Statement of comprehensive income

	13 weeks ended 28 November 2015	13 weeks ended 29 November 2014	39 weeks ended 28 November 2015	39 weeks ended 29 November 2014	52 weeks ended 28 February 2015
	£'m	£'m	£'m	£'m	£'m
Profit/ (loss) for the period	13.8	14.8	(8.7)	8.7	(0.4)
Other comprehensive income/ (expenditure):					
Cash flow hedges	4.9	36.0	4.0	55.0	60.4
Income tax element of cash flow hedges	(1.0)	(7.2)	(0.8)	(11.0)	(12.1)
Other comprehensive income/ (expenditure) net of income tax	3.9	28.8	3.2	44.0	48.3
Total comprehensive income/ (expenditure) for the period	17.7	43.6	(5.5)	52.7	47.9

The notes on pages 10 to 21 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated balance sheet

		28 November 2015	29 November 2014	28 February 2015
	Note	£'m	£'m	£'m
Assets				
Goodwill	5	0.9	-	-
Property, plant and equipment		175.3	179.9	177.6
Intangible assets		24.8	22.6	23.2
Financial assets – derivative financial instruments	8	6.8	14.4	14.5
Total non-current assets		207.8	216.9	215.3
Inventories – goods for resale		171.6	165.4	143.2
Trade and other receivables		41.2	37.7	26.2
Financial assets – derivative financial instruments	8	23.8	6.6	11.1
Cash and cash equivalents		60.5	93.7	93.5
Total current assets		297.1	303.4	274.0
Total assets		504.9	520.3	489.3
Liabilities				
Financial liabilities – derivative financial instruments	8	-	(3.8)	(0.9)
Trade and other payables		(173.6)	(174.3)	(150.3)
Current income tax liabilities		(0.2)	(3.3)	(0.5)
Provisions for other liabilities and charges	9	(2.5)	(3.9)	(5.2)
Total current liabilities		(176.3)	(185.3)	(156.9)
Financial liabilities – borrowings	7	(487.7)	(486.5)	(486.8)
Financial liabilities – derivative financial instruments	8	(0.3)	-	(0.5)
Trade and other payables		(42.5)	(41.1)	(41.9)
Deferred income tax liabilities		(11.9)	(11.7)	(11.8)
Provisions for other liabilities and charges	9	(2.0)	(2.2)	(2.5)
Total non-current liabilities		(544.4)	(541.5)	(543.5)
Total liabilities		(720.7)	(726.8)	(700.4)
Net liabilities		(215.8)	(206.5)	(211.1)
Shareholders' deficit				
Ordinary shares		17.3	17.3	17.3
Share premium		385.6	385.6	385.6
Hedge reserve		22.1	14.6	18.9
Merger reserve		(774.3)	(774.3)	(774.3)
Warrant reserve		3.1	3.1	3.1
Capital redemption reserve		5.7	5.7	5.7
Non-Controlling Interest		-	-	-
Retained earnings		124.7	141.5	132.6
Total shareholders' deficit		(215.8)	(206.5)	(211.1)

The notes on pages 10 to 21 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated cash flow statement

		13 weeks ended 28 November 2015	13 weeks ended 29 November 2014	39 weeks ended 28 November 2015	39 weeks ended 29 November 2014	52 weeks ended 28 February 2015
	Note	£'m	£'m	£'m	£'m	£'m
Cash flows from operating activities						
Cash generated	10	10.2	8.8	31.2	100.2	110.6
Interest paid		(18.6)	(18.3)	(37.4)	(46.4)	(46.6)
Income tax paid		(1.1)	(1.4)	(1.1)	(3.7)	(5.3)
Net cash (used in)/ generated from operating activities		(9.5)	(10.9)	(7.3)	50.1	58.7
Cash flows from investing activities						
Purchase of property, plant and equipment		(4.6)	(9.6)	(17.7)	(21.4)	(27.0)
Purchase of intangible assets		(2.3)	(1.9)	(8.6)	(5.5)	(8.9)
Interest received		-	0.3	0.2	0.6	0.8
Net cash used in investing activities		(6.9)	(11.2)	(26.1)	(26.3)	(35.1)
Cash flows from financing activities						
Repayment of previous facilities		-	-	-	(475.0)	(475.0)
Proceeds from borrowings		-	-	-	492.0	492.0
Issued share capital		-	-	0.4	-	-
Fees associated with refinancing		-	(0.1)	-	(19.0)	(19.0)
Net cashflows (used in)/ generated from financing activities		-	(0.1)	0.4	(2.0)	(2.0)
Net (decrease)/ increase in cash and cash equivalents		(16.4)	(22.2)	(33.0)	21.8	21.6
Cash and cash equivalents at the beginning of the period		76.9	115.9	93.5	71.9	71.9
Cash and cash equivalents at the end of the period		60.5	93.7	60.5	93.7	93.5

The notes on pages 10 to 21 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated statement of changes in shareholders' equity

	Share capital	Share premium	Merger Reserve	Hedge reserve	Capital redemption reserve	Warrant reserve	Retained earnings	Total reserves
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
As at 2 March 2014	17.3	385.6	(774.3)	(29.4)	5.7	3.1	132.5	(259.5)
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	8.7	8.7
Total profit for the period	-	-	-	-	-	-	8.7	8.7
Other comprehensive income:								
Cash flow hedges:								
- fair value losses in the period	-	-	-	56.8	-	-	-	56.8
- transfers to inventory	-	-	-	(1.8)	-	-	-	(1.8)
- income tax element of cash flow hedges	-	-	-	(11.0)	-	-	-	(11.0)
Total other comprehensive income	-	-	-	44.0	-	-	-	44.0
Transactions with owners:								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	-	-	-	0.3	0.3
As at 29 November 2014	17.3	385.6	(774.3)	14.6	5.7	3.1	141.5	(206.5)

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Condensed consolidated statement of changes in shareholders' equity

	Share capital	Share premium	Merger Reserve	Hedge reserve	Capital redemption reserve	Warrant reserve	Retained earnings	Non- Controlling Interest	Total reserves
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
As at 1 March 2015	17.3	385.6	(774.3)	18.9	5.7	3.1	132.6	-	(211.1)
Comprehensive income:									
Loss for the period	-	-	-	-	-	-	(8.3)	-	(8.3)
Total loss for the period	-	-	-	-	-	-	(8.3)	-	(8.3)
Other comprehensive income:									
Cash flow hedges:									
- fair value losses in the period	-	-	-	6.0	-	-	-	-	6.0
- transfers to inventory	-	-	-	(2.0)	-	-	-	-	(2.0)
- income tax element of cash flow hedges	-	-	-	(0.8)	-	-	-	-	(0.8)
Total other comprehensive income	-	-	-	3.2	-	-	-	-	3.2
Transactions with owners:									
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	0.4	-	0.4
Total transactions with owners	-	-	-	-	-	-	0.4	-	0.4
As at 28 November 2015	17.3	385.6	(774.3)	22.1	5.7	3.1	124.7	-	(215.8)

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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 11 January 2016.

2. Basis of preparation

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 28 February 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the income tax rate that would be applicable to expected total annual earnings.

There are no new IFRSs or IFRIC interpretations that are effective for the first time for this financial period that would be expected to have a material impact on the company.

At the date of approval of these condensed consolidated interim financial statements, the IASB and IFRIC have issued new or amended standards and interpretations which were in issue but not effective for the financial period and not early adopted:

New standards, amendments to standards or interpretations

- IFRS 9 Financial Instruments
- Amendments to IFRS 2 Share-based payments
- Amendments to IFRS 8 Operating segments
- Amendments to IFRS 13 Fair value measurement
- Amendments to IAS 24 Related party disclosures

The Group intends to adopt the new standards and amendments no later than their applicable date, subject to endorsement by the EU.

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Notes to the Financial Statements (continued)

3. Operating profit

	13 weeks ended 28 November 2015	13 weeks ended 29 November 2014	39 weeks ended 28 November 2015	39 weeks ended 29 November 2014	52 weeks ended 28 February 2015
	£'m	£'m	£'m	£'m	£'m
Revenue	302.5	298.0	817.3	835.3	1,094.0
Cost of goods sold	(161.0)	(147.9)	(449.6)	(435.9)	(580.3)
Selling expenses – pre exceptional items	(85.3)	(88.1)	(255.6)	(255.1)	(336.6)
Exceptional items – selling costs	(0.6)	-	(0.6)	-	-
Distribution expenses	(15.5)	(12.8)	(42.3)	(32.3)	(44.9)
Total cost of sales	(262.4)	(248.8)	(748.1)	(723.3)	(961.8)
Gross profit	40.1	49.2	69.2	112.0	132.2
Administrative expenses pre exceptional items	(15.9)	(17.1)	(45.6)	(48.4)	(61.9)
Exceptional items – administrative expenses	(0.7)	(0.4)	(3.3)	(1.0)	(9.2)
Administrative expenses	(16.6)	(17.5)	(48.9)	(49.4)	(71.1)
Operating profit	23.5	31.7	20.3	62.6	61.1

Further details of exceptional items above are included in note 14.

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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.

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 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 28 November 2015	13 weeks ended 29 November 2014	39 weeks ended 28 November 2015	39 weeks ended 29 November 2014	52 weeks ended 28 February 2015
	£'m	£'m	£'m	£'m	£'m
Operating profit	23.5	31.7	20.3	62.6	61.1
Depreciation	5.7	5.8	17.3	17.1	23.0
Amortisation	1.7	1.7	5.4	5.2	7.0
Exceptional items (note 14)	1.3	0.4	3.9	1.0	9.2
EBITDA	32.2	39.6	46.9	85.9	100.3
Rent expense	23.1	24.6	71.5	71.0	96.7
EBITDAR	55.3	64.2	118.4	156.9	197.0

The performance of the group is subject to seasonal peaks. The group traditionally performs well during 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. Acquisitions

Acquisitions in the current period

On 1 July 2015, the Group completed the acquisition of the trade and assets of an online retailer for £8, satisfied in cash. The acquisition was completed by Matalan Direct Limited, a 75% owned subsidiary of Matalan Limited.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Fair values on acquisition £m
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	-
Trade and other payables	(0.9)
Net identifiable assets and liabilities	(0.9)
Total consideration	-
Goodwill on acquisition	0.9

6. Income tax

Income tax for the 13 week period ended 28 November 2015 is charged at 0%; 39 week period ended 28 November 2015 at 0% (13 week period ended 29 November 2014: 33.3% charge; 39 week period ended 29 November 2014: 32.6% charge; 52 week period ended 28 February 2015: 131.2% charge) 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 and 39 week periods.

The effective annual income tax rate of 0% based on a forecast taxable loss is lower than the standard rate of corporation tax in the UK of 20.1% due to non-deductible expenses. The rate of corporation tax is based on a weighted average rate. The standard rate of corporation tax reduced from 21% to 20% on 1 April 2015 (23% to 21% on 1 April 2014).

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Notes to the Financial Statements (continued)

7. Financial liabilities – borrowings

	28 November 2015 £'m	29 November 2014 £'m	28 February 2015 £'m
Non-current			
First Lien Secured Notes (net of £3.0m issue costs (November 2014: £3.7m; February 2015: £3.6m))	(339.1)	(338.2)	(338.4)
Second Lien Secured Notes (net of £1.4m issue costs (November 2014: £1.7m; February 2015: £1.6m))	(148.6)	(148.3)	(148.4)
	(487.7)	(486.5)	(486.8)

Notes in issue are all denominated in Sterling as at 28 November 2015. The group had no short term borrowings during any of the reported periods.

Issue costs of £5.2m 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. The unamortised issue costs associated with the Senior Notes and Senior Secured Notes previously in issue have been charged to the income statement as exceptional finance costs (see note 14).

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

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Notes to the Financial Statements (continued)

7. Financial liabilities – borrowings (continued)

Maturity of notes

	28 November 2015 £'m	29 November 2014 £'m	28 February 2015 £'m
Less than one year	-	-	-
One to five years	492.0	342.0	342.0
Five to ten years	-	150.0	150.0
	492.0	492.0	492.0
Issue costs	(4.3)	(5.5)	(5.2)
	487.7	486.5	486.8
Current	-	-	-
Non-current	487.7	486.5	486.8
	487.7	486.5	486.8

Borrowing facilities

The table below reflects the usage of the Revolving Credit Facilities (RCF) as at 28 November 2015. These facilities are subject to an annual review and incur fees at market rates.

	28 November 2015 £'m	29 November 2014 £'m	28 February 2015 £'m
Letters of credit	0.7	1.4	1.2
Guarantees	8.3	8.3	8.3
Unused	41.0	40.3	40.5
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 charge over the assets of the guarantor group. Notes in issue are guaranteed by the assets of the guarantor group.

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Notes to the Financial Statements (continued)

8. Derivative financial instruments

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 28 November 2015 is £555.1m (29 November 2014: £573.7m; 28 February 2015: £552.3m).

The net fair value of gains as at 28 November 2015 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £30.3m (29 November 2014: gain of £17.2m; 28 February 2015: losses of £24.2m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

9. Provisions for other liabilities and charges

Onerous contracts	Onerous contracts £'m	Dilapidations provision £'m	Total £'m
At 1 March 2015	(5.4)	(2.3)	(7.7)
Utilised in the period	2.6	0.6	3.2
At 28 November 2015	(2.8)	(1.7)	(4.5)

	28 November 2015 £'m	29 November 2014 £'m	28 February 2015 £'m
Analysis of total provisions:			
Non-current	(2.0)	(2.2)	(2.5)
Current	(2.5)	(3.9)	(5.2)
	(4.5)	(6.1)	(7.7)

Provisions for onerous leases have been recognised on properties no longer used by the business. These provisions have been treated as exceptional and are being released over the remaining life of the lease. 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.

In the prior period, a provision was recognised for properties no longer used by the business following its move to a new head office and distribution centre. This provision was treated as exceptional.

During the previous periods, the Group established a provision for anticipated future dilapidations costs.

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Notes to the Financial Statements (continued)

10. Cash flow from operating activities

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

	13 weeks ended 28 November 2015 £'m	13 weeks ended 29 November 2014 £'m	39 weeks ended 28 November 2015 £'m	39 weeks ended 29 November 2014 £'m	52 weeks ended 28 February 2015 £'m
Cash generated from operations					
Operating profit	23.5	31.7	20.3	62.6	61.1
Adjustments for:					
Depreciation	5.7	5.8	17.3	17.1	23.0
Amortisation of intangibles	1.7	1.7	5.4	5.2	7.0
Non cash exceptional items	-	-	1.7	-	7.3
Share based compensation charge	0.1	0.1	0.4	0.3	0.5
Hedge accounting	(0.1)	0.2	(0.1)	0.1	0.2
Operating cash flows before movements in working capital	30.9	39.5	45.0	85.3	99.1
Movements in working capital:					
(Increase) in inventories	(10.3)	(40.0)	(27.1)	(32.5)	(10.4)
(Increase)/ decrease in trade and other receivables	(10.7)	(2.7)	(14.9)	(3.1)	7.9
Increase in trade and other payables	0.3	12.0	28.2	50.5	14.0
Net cash inflow from operating activities	10.2	8.8	31.2	100.2	110.6

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Notes to the Financial Statements (continued)

11. Reconciliation of net debt

Net funds incorporate borrowings, less cash and cash equivalents.

	Net debt at 1 March 2015	Cash movements	Non cash movements	Net debt at 28 November 2015
	£'m	£'m	£'m	£'m
Cash and cash equivalents	93.5	(33.0)	-	60.5
Debt due after 1 year	(486.8)	-	(0.9)	(487.7)
	(393.3)	(33.0)	(0.9)	(427.2)

12. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Group bank facilities as disclosed in note 7 are secured by fixed and floating charges over the assets of the guarantor group. Notes in issue as disclosed in note 7 are guaranteed by the assets of the guarantor group.

13. Related party transactions

The Group continues to lease a building in London from a company associated with the Hargreaves family. A portion of the building was leased to a number of companies associated with the Hargreaves family during the period. The rental paid in the 13 week period ended 28 November 2015 was £nil; 39 week period ended 28 November 2015: £0.3m (13 week period ended 29 November 2014: £0.2m; 39 week period ended 29 November 2014: £0.5m; 52 week period ended 28 February 2015: £0.7m). The rental income in the 13 week period ended 28 November 2015 was £nil; 39 week period ended 29 November 2015: £0.1m; (13 week period ended 29 November 2014: £0.1m; 39 week period ended 29 November 2014: £0.1m; 52 week period ended 28 February 2015: £0.2m). On 18 September 2015 the lease was amended to shorten the term and set the rent at £nil for the remainder of the term. The revised lease end date is 23 December 2015. The costs associated with the variation were £0.3m in both the 13 and 39 week periods ended 28 November 2015 and are detailed in note 14.

During the period the Group leased its head office from a company associated with the Hargreaves family. The rental paid in the 13 week period ended 28 November 2015 was £0.5m; 39 week period ended 28 November 2015: £1.5m (13 weeks ended 29 November 2014: £nil; 39 weeks ended 29 November 2014: £nil; 52 weeks ended 28 February 2015: £0.5m).

The Group continues to lease a distribution centre from a company associated with the Hargreaves family. The rental paid during the 13 week period ended 28 November 2015 was £0.4m; 39 week period ended 28 November 2015 was £1.1m (13 week period ended 29 November 2014: £0.4m; 39 week period ended 39 November 2014 £1.1m; 52 week period ended 28 February 2015: £1.6m). This company also provided construction services for the new distribution centre. The expenditure incurred during the 13 week period ended 28 November 2015 was £nil; 39 week period ended 28 November 2015: £nil (13 weeks ended 29 November 2014: £nil; 39 weeks ended 29 November 2014: £1.5m; 52 weeks ended 28 February 2015: £1.5m). At 28 November 2015 £nil was outstanding (29 November 2014: £nil; 28 February 2015: £nil).

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Notes to the Financial Statements (continued)

13. Related party transactions (continued)

The Group purchased IT services from a company associated with the Hargreaves family. The expenditure incurred for the 13 week period ended 28 November 2015 was £1.5m; 39 week period ended 28 November 2015 was £4.0m (13 week period ended 29 November 2014: £0.3m; 39 week period ended 29 November 2014: £0.8m; 52 week period ended 28 February 2015: £2.0m) of which £nil was outstanding at 28 November 2015 (30 November 2014: £0.2m; 28 February 2015: £nil).

The Group purchased clothing for resale from companies associated with the Hargreaves family. Purchases during the 13 week period ended 28 November 2015 was £0.1m; 39 week period ended 28 November 2015: £1.5m (13 weeks ending 29 November 2014: £0.7m; 39 weeks ended 29 November 2014: £0.9m; 52 weeks ended 28 February 2015: £1.2m) of which £nil was outstanding at 28 November 2015 (29 November 2014: £nil; 28 February 2015: £0.1m).

The Group used the clothing design services of a company associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 28 November 2015 was £0.4m; 39 week period ended 28 November 2015: £1.0m (13 weeks ending 29 November 2014: £0.2; 39 weeks ended 29 November 2014: £0.2m; 52 weeks ended 28 February 2015: £0.5m) of which £0.7m prepayment incurred to 28 November 2015 (29 November 2014: £nil; 28 February 2015: £0.1m prepayment).

The Group incurred costs relating to the Hargreaves family and associated companies. The expenditure incurred during the 13 week period ended 28 November 2015 was £0.1m; 39 week period ended 28 November 2015: £0.2m (13 weeks ending 29 November 2014: £nil; 39 weeks ended 29 November 2014: £0.1m; 52 weeks ended 28 February 2015: £0.2m) of which £nil was outstanding at 28 November 2015 (29 November 2014: £0.1m; 28 February 2015: £nil).

In a previous period, the Group used the sourcing agency services of a company associated with the Hargreaves family. This company is no longer a related party.

All the above transactions have taken place at levels not materially different to commercial terms.

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Notes to the Financial Statements (continued)

14. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 28 November 2015	13 weeks ended 29 November 2014	39 weeks ended 28 November 2015	39 weeks ended 29 November 2014	52 weeks ended 28 February 2015
	£'m	£'m	£'m	£'m	£'m
Closure of Sporting Pro division	(0.6)	-	(0.6)	-	-
Exceptional items – selling	(0.6)	-	(0.6)	-	-
Restructuring costs	(0.2)	-	(0.6)	(0.1)	(1.8)
Onerous contract provision	-	-	(0.1)	-	0.2
Head office and distribution centre relocation- onerous contract	-	-	-	-	(2.3)
Supply chain costs	-	(0.4)	-	(0.9)	(1.0)
Dilapidations	-	-	-	-	(0.2)
Impairment of fixed assets	-	-	-	-	(4.1)
Closure of Sporting Pro division	(0.2)	-	(2.3)	-	-
Variation of lease costs	(0.3)	-	(0.3)	-	-
Exceptional items – administrative	(0.7)	(0.4)	(3.3)	(1.0)	(9.2)
Financing costs	-	-	-	(19.2)	(19.2)
Exceptional items – finance costs	-	-	-	(19.2)	(19.2)
Total exceptional items	(1.3)	(0.4)	(3.9)	(20.2)	(28.4)

Closure of Sportingpro division – selling costs

The Group closed the Sportingpro division in a prior period. Selling costs incurred following the closure were £0.6m in both the 13 and 39 week period ended 28 November 2015.

Restructuring costs

Restructuring costs of £0.2m were incurred during the 13 week period ended 28 November 2015 and £0.6m for the 39 week period ended 28 November 2015 (13 week period ended 29 November 2014: £nil; 39 week period ended 29 November 2014: £0.1m; 52 week period ended 28 February 2015: £1.8m.)

Onerous contract provision

Costs of £nil were incurred in the 13 week period to 28 November 2015 and £0.1m in the 39 week period ended 28 November 2015. During the 52 week period ended 28 February 2015 there was a £0.2m credit relating to a true-up of anticipated rent and rates costs in respect of properties on which onerous lease provisions are held in full. As the initial provision on these properties was created through exceptional items, the corresponding offsetting income was also recognised as exceptional.

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Notes to the Financial Statements (continued)

14. Exceptional items (continued)

Head office and distribution centre relocation - onerous contract provision

In the prior period, a £2.3m provision was recognised on properties no longer used by the business following a relocation to the new head office and distribution centre. This provision was treated as exceptional.

Supply chain costs

Supply chain costs of £nil were incurred in both the 13 week and 39 week periods ended 28 November 2015 (13 week period 29 November 2014: £0.4m; 39 week period ended 29 November 2014: £0.9m; 52 week period ended 28 February 2015: £1.0m). Supply chain costs relate to the establishment of a temporary site during the redevelopment of the Group's southern distribution centre.

Dilapidations

During a previous period, the Group established a provision for anticipated future dilapidations costs. The anticipated costs were revised during the 52 week ending 28 February 2015 resulting in a charge of £0.2m in the year.

Impairment of fixed assets

The Group relocated to a new head office and distribution centre in the prior period and, as a result, performed a review of the assets no longer used. Impairments on the carrying value of these assets were made in the financial statements and were treated as exceptional.

Closure of Sportingpro division – administrative

The Group closed the Sportingpro division in a prior period. Administrative costs incurred following the closure were £0.2m in the 13 week period ended 28 November 2015 and £2.1m in the 39 week period to 28 November 2015.

Variation of lease costs

During the period, the Group paid £0.3m to vary the lease on a property which was included in the onerous lease provision. As the initial provision on this property was created through exceptional items, the costs to vary this lease have also been recognised as exceptional.

Financing costs

Financing costs relate to the June 2014 refinancing exercise and include charges for the accelerated amortisation of issue costs relating to the Senior Notes and Senior Secured Notes previously in issue together with associated redemption costs.