

Registered No: 00045618

Missouri Topco Limited

Condensed Consolidated Interim Financial Statements

13 weeks ended 26 November 2011

Missouri Topco Limited

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Missouri Topco Limited

Results of continuing operations for the 13 weeks ended 26 November 2011

Revenue

Revenue increased by 3.5% to £310.8m in the 13 week period ended 26 November 2011 and increased by 0.2% to £837.4m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £300.3m; 39 week period ended 27 November 2010: £836.0m; 52 week period ended 26 February 2011: £1,096.5m).

Cost of sales and gross profit

Costs of sales increased by 11.8% to £262.7m in the 13 week period ended 26 November 2011 and increased by 7.5% to £734.0m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £234.9m; 39 week period ended 27 November 2010: £682.6m; 52 week period ended 26 February 2011: £921.0m).

Gross profit decreased by 26.5% to £48.1m in the 13 week period ended 26 November 2011 and decreased by 32.6% to £103.4m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £65.4m; 39 week period ended 27 November 2010: £153.4m; 52 week period ended 26 February 2011: £175.5m).

Gross profit as a percentage of revenue decreased to 15.5% in the 13 weeks ended 26 November 2011 and decreased to 12.3% in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: 21.8%; 39 week period ended 27 November 2010: 18.3%; 52 week period ended 26 February 2011: 16.0%).

The decrease in gross profit in the quarter is largely driven by increased cost of purchases. The lower sales seen in September meant that targeted promotional activity was required in October and November. Although margins were impacted, our units of Spring/ Summer stock as at 26 November 2011 are lower than last year.

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) increased by 11.0% to £17.1m in the 13 week period ended 26 November 2011 and decreased by 4.3% to £46.9m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £15.4m; 39 week period ended 27 November 2010: £49.0m; 52 week period ended 26 February 2011: £60.9m). The increase quarter to date is driven by an increase in exceptional items. The decrease year to date is driven by the decrease in exceptional items, with the previously noted year to date increase in advertising costs now being offset by other cost savings across all departments.

Exceptional items

Exceptional items included within administrative costs were £3.4m in the 13 week period ended 26 November 2011 and £4.1m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £0.1m income; 39 week period ended 27 November 2010: £5.9m; 52 week period ended 26 February 2011: £6.4m).

The £4.1m exceptional items year to date includes restructuring costs of £1.4m and a provision for an onerous lease of £2.7m.

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Results of continuing operations for the 13 weeks ended 26 November 2011 (continued)

Operating profit

Operating profit, after exceptional items, decreased by 38.0% to £31.0m in the 13 week period ended 26 November 2011 and decreased by 45.9% to £56.5m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £50.0m; 39 week period ended 27 November 2010: £104.4m; 52 week period ended 26 February 2011: £114.6m).

Net finance costs

Net finance costs (excluding exceptional items) increased by £1.3m to £12.1m in the 13 week period ended 26 November 2011 and increased by £3.3m to £35.5m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £10.8m; 39 week period ended 27 November 2010: £32.2m; 52 week period ended 26 February 2011: £41.6m). This increase is due to the refinancing exercise that happened in April 2011. Total debt increased from £465.0m to £475.0m.

Refinancing exceptional items of £8.0m have been incurred in the 39 week period ended 26 November 2011 (39 week period ended 27 November 2010: £11.3m; 52 week period ended 26 February 2011: £11.3m) and are shown within finance costs. These exceptional refinancing costs relate to the acceleration of the amortisation of the outstanding loan issue costs of the Senior debt facilities repaid as part of the April 2011 refinancing exercise and the costs incurred in relation to the termination of the interest rate swaps held by the group.

Taxation

Taxation decreased to £10.1m in the 13 week period ended 26 November 2011 and decreased to £7.7m in the 39 weeks ended 26 November 2011 (13 week period ended 27 November 2010: £12.9m; 39 week period ended 27 November 2010: £20.1m charge; 52 week period ended 26 February 2011: £20.8m charge). 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 for the period from continuing operations

The profit for the period from continuing operations was £8.8m in the 13 week period ended 26 November 2011 and £5.3m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £26.3m profit; 39 week period ended 27 November 2010: £40.8m profit; 52 week period ended 26 February 2011: £40.9m profit). This decrease in profit is largely driven by the increase in cost of goods sold.

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Results of continuing operations for the 13 weeks ended 26 November 2011 (continued)

Cashflow

Cash generated from operations increased by £11.9m to £52.4m in the 13 week period ended 26 November 2011 and decreased by £30.3m to £72.0m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £40.5m; 39 week period ended 27 November 2010: £102.3m; 52 week period ended 26 February 2011: £140.2m). This is largely driven by a reduction in operating profits combined with the effects of a £33.6m higher closing stock balance as at 26 November 2011 compared to 27 November 2010. The increase in stock is a result of higher input prices and investment in our Core offering to ensure availability of product. Prior season stock volumes as at 26 November 2011 are comparable with prior year.

Net cash used in financing activities decreased by £10.0m to £nil cashflow in the 13 week period ended 26 November 2011 and decreased by £65.0m to a £3.8m inflow the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £10.0m outflow; 39 week period ended 27 November 2010: £61.2m outflow; 52 week period ended 26 February 2011: £70.4m outflow). This reflects the refinancing transactions in April 2011 and March 2010.

Cash increased by £22.4m in the 13 week period ended 26 November 2011 and increased by £14.4m in the 39 week period ended 26 November 2011 (13 week period ended 27 November 2010: £9.5m increase; 39 week period ended 27 November 2010: £26.5m decrease; 52 weeks ended 26 February 2011: £16.7m decrease). The cash balance as at 26 November 2011 was £97.5m. This represents a £24.2m increase on the cash balance as at 27 November 2010.

Recent events

On 11 April 2011 the group completed an issue of £250.0m Senior secured notes, over 5 years at a fixed rate of 8 7/8%. The existing Senior secured facilities of £231.0m were repaid on 12 April 2011. Fees of £10.5m associated with this refinancing were incurred. These costs have been capitalised and will be amortised over the terms of the facilities.

As at 26 November 2011, the aggregate principal amount of £475.0m of indebtedness was outstanding, of which £225.0m relates to the Senior notes and £250.0m to the Senior secured notes. Up to £50.0m further is available for additional secured borrowings under the revolving credit facility of which £10.8m is in use as at 26 November 2011 (27 November 2010: £11.2m; 26 February 2011: £9.5m).

Results of discontinued operations for the 13 weeks ended 26 November 2011

The results of discontinued operations disclosed for the reported periods represent the profit for the period (net of tax) generated by Wolsey Limited, a wholly owned subsidiary of Matalan Limited. Wolsey Limited was sold in October 2010. Prior period results have been re-presented to reflect this disposal.

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Condensed consolidated income statement

	Note	13 weeks ended 26 November 2011 £'m	13 weeks ended 27 November 2010 £'m	39 weeks ended 26 November 2011 £'m	39 weeks ended 27 November 2010 £'m	52 weeks ended 26 February 2011 £'m
Revenue	4	310.8	300.3	837.4	836.0	1,096.5
Cost of sales	4	(262.7)	(234.9)	(734.0)	(682.6)	(921.0)
Gross profit	4	48.1	65.4	103.4	153.4	175.5
Administrative expenses (including exceptional items)	4	(17.1)	(15.4)	(46.9)	(49.0)	(60.9)
Operating profit	4	31.0	50.0	56.5	104.4	114.6
Operating profit pre exceptional items		34.4	49.9	60.6	110.3	121.0
Exceptional items	14	(3.4)	0.1	(4.1)	(5.9)	(6.4)
Operating profit		31.0	50.0	56.5	104.4	114.6
Finance costs		(12.2)	(10.9)	(35.9)	(33.0)	(43.1)
Exceptional refinancing costs	14	-	-	(8.0)	(11.3)	(11.3)
Finance income		0.1	0.1	0.4	0.8	1.5
Net finance costs		(12.1)	(10.8)	(43.5)	(43.5)	(52.9)
Profit before taxation and exceptional items		22.3	39.1	25.1	78.1	79.4
Total exceptional items	14	(3.4)	0.1	(12.1)	(17.2)	(17.7)
Profit before taxation		18.9	39.2	13.0	60.9	61.7
Taxation	6	(10.1)	(12.9)	(7.7)	(20.1)	(20.8)
Profit for the period from continuing operations		8.8	26.3	5.3	40.8	40.9
(Loss) for the period from discontinued operations	15	-	(0.3)	-	(0.2)	(0.2)
Profit for the period		8.8	26.0	5.3	40.6	40.7

The notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

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Statement of comprehensive income

	13 weeks ended 26 November 2011	13 weeks ended 27 November 2010	39 weeks ended 26 November 2011	39 weeks ended 27 November 2010	52 weeks ended 26 February 2011
	£'m	£'m	£'m	£'m	£'m
Profit for the period from continuing operations	8.8	26.3	5.3	40.8	40.9
(Loss) for the period from discontinued operations	-	(0.3)	-	(0.2)	(0.2)
Other comprehensive income/ (expenditure):					
Cash flow hedges	24.2	(3.0)	24.7	(19.3)	(31.6)
Tax element of cash flow hedges	(6.2)	0.8	(6.4)	5.4	8.8
Other comprehensive income/ (expenditure) for the period	18.0	(2.2)	18.3	(13.9)	(22.8)
Total comprehensive income for the period	26.8	23.8	23.6	26.7	17.9

The notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated balance sheet

		26 November 2011	27 November 2010	26 February 2011
	Note	£'m	£'m	£'m
Assets				
Property, plant and equipment		161.4	167.4	164.8
Other intangible assets		20.2	22.2	22.4
Deferred tax asset		4.0	-	5.9
Financial assets – derivative financial instruments	8	3.3	0.4	-
Total non-current assets		188.9	190.0	193.1
Inventories – goods for resale		176.2	142.6	120.0
Trade and other receivables		27.8	26.2	17.5
Financial assets – derivative financial instruments	8	9.4	4.4	1.3
Cash and cash equivalents		97.5	73.3	83.1
Total current assets		310.9	246.5	221.9
Total assets		499.8	436.5	415.0
Liabilities				
Financial liabilities – borrowings	7	-	(16.0)	(15.9)
Financial liabilities – derivative financial instruments	8	(0.7)	(12.6)	(18.2)
Trade and other payables		(202.7)	(158.6)	(152.8)
Current tax liabilities		(13.4)	(18.7)	(12.3)
Provisions for other liabilities and charges	9	(1.3)	(0.9)	(0.7)
Total current liabilities		(218.1)	(206.8)	(199.9)
Financial liabilities – borrowings	7	(459.6)	(432.0)	(423.7)
Financial liabilities – derivative financial instruments	8	-	(1.3)	(2.5)
Trade and other payables		(40.7)	(40.7)	(38.8)
Deferred tax liabilities		(19.1)	(11.9)	(15.0)
Provisions for other liabilities and charges	9	(5.1)	(5.3)	(3.7)
Total non-current liabilities		(524.5)	(491.2)	(483.7)
Total liabilities		(742.6)	(698.0)	(683.6)
Net liabilities		(242.8)	(261.5)	(268.6)
Shareholders' deficit				
Ordinary shares		17.3	17.3	17.3
Share premium		385.6	385.5	385.6
Hedge reserve		8.7	(0.7)	(9.6)
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
Retained earnings		111.1	101.9	103.6
Total shareholders' deficit		(242.8)	(261.5)	(268.6)

The notes on pages 10 to 20 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated cash flow statement

		13 weeks ended 26 November 2011	13 weeks ended 27 November 2010	39 weeks ended 26 November 2011	39 weeks ended 27 November 2010	52 weeks ended 26 February 2011
	Note	£'m	£'m	£'m	£'m	£'m
Cash flows from operating activities						
Cash generated from continuing operations	10	52.4	40.5	72.0	102.3	140.2
Interest paid		(23.3)	(13.7)	(38.3)	(25.0)	(30.2)
Taxation paid		(1.0)	(6.8)	(7.0)	(24.6)	(32.1)
Cash flows from operating activities (discontinued operations)		-	(0.6)	-	(1.8)	(1.8)
Net cash generated from operating activities		28.1	19.4	26.7	50.9	76.1
Cash flows from investing activities						
Purchase of property, plant and equipment		(5.1)	(8.6)	(13.6)	(19.8)	(22.7)
Proceeds from sale of property, plant and equipment		-	-	-	-	0.1
Purchase of intangible assets		(0.7)	(1.4)	(2.9)	(7.2)	(10.3)
Net cash received on sale of subsidiaries		-	10.0	-	10.0	10.0
Interest received		0.1	0.1	0.4	0.8	0.5
Net cash (used in)/ generated from investing activities		(5.7)	0.1	(16.1)	(16.2)	(22.4)
Cash flows from financing activities						
Repayment of Senior loan facilities		-	(10.0)	-	(10.0)	(19.0)
Repayment of previous facilities		-	-	(231.0)	(259.9)	(259.9)
'A' share buy back		-	-	-	(233.2)	(233.2)
Warrant fees charge		-	-	-	(1.8)	(1.8)
Proceeds from borrowings		-	-	250.0	475.0	475.0
Fees associated with refinancing		-	-	(15.2)	(19.4)	(19.6)
Purchase of 'B' shares through the EBT		-	-	-	(12.0)	(12.0)
Share Premium associated with Flowering shares		-	-	-	0.1	0.1
Net cash (used in)/ generated from financing activities		-	(10.0)	3.8	(61.2)	(70.4)
Net increase / (decrease) in cash and cash equivalents		22.4	9.5	14.4	(26.5)	(16.7)
Cash and cash equivalents at the beginning of the period		75.1	63.8	83.1	99.8	99.8
Cash and cash equivalents at the end of the period		97.5	73.3	97.5	73.3	83.1

The notes on pages 10 to 20 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 28 February 2010	21.9	385.5	(774.3)	13.2	1.1	3.1	304.6	(44.9)
Comprehensive income:								
Profit for the period from continuing operations	-	-	-	-	-	-	40.8	40.8
Loss for the period from discontinued operations	-	-	-	-	-	-	(0.2)	(0.2)
Total profit for the period	-	-	-	-	-	-	40.6	40.6
Other comprehensive expenditure:								
Cash flow hedges								
- fair value losses in the period	-	-	-	(22.2)	-	-	-	(22.2)
- transfers to inventory	-	-	-	2.9	-	-	-	2.9
- tax element of cash flow hedges	-	-	-	5.4	-	-	-	5.4
Total other comprehensive expenditure	-	-	-	(13.9)	-	-	-	(13.9)
Transactions with owners:								
Purchase of 'B' shares through the EBT	-	-	-	-	-	-	(12.0)	(12.0)
'A' share buy back	(4.6)	-	-	-	4.6	-	(233.2)	(233.2)
Warrant fees charge	-	-	-	-	-	-	(1.8)	(1.8)
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	3.7	3.7
Total transactions with owners	(4.6)	-	-	-	4.6	-	(243.3)	(243.3)
As at 27 November 2010	17.3	385.5	(774.3)	(0.7)	5.7	3.1	101.9	(261.5)

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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	Total reserves
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
As at 27 February 2011	17.3	385.6	(774.3)	(9.6)	5.7	3.1	103.6	(268.6)
Comprehensive income:								
Profit for the period from continuing operations	-	-	-	-	-	-	5.3	5.3
Total profit for the period	-	-	-	-	-	-	5.3	5.3
Other comprehensive income:								
Cash flow hedges:								
- fair value gains in the period	-	-	-	25.7	-	-	-	25.7
- transfers to inventory	-	-	-	(1.0)	-	-	-	(1.0)
- tax element of cash flow hedges	-	-	-	(6.4)	-	-	-	(6.4)
Total other comprehensive income	-	-	-	18.3	-	-	-	18.3
Transactions with owners:								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	2.2	2.2
Total transactions with owners	-	-	-	-	-	-	2.2	2.2
As at 26 November 2011	17.3	385.6	(774.3)	8.7	5.7	3.1	111.1	(242.8)

Missouri Topco Limited

Notes to the Financial Statements

1. General information

The company is incorporated and domiciled in Guernsey, all subsidiary companies are incorporated and domiciled in the UK. The company is limited by shares. The financial statements are presented in sterling, which is the group's functional and presentational currency. The group's principal place of business is Gillibrands Road, Skelmersdale, West Lancashire, WN8 9TB.

These condensed consolidated interim financial statements were approved for issue on 17 January 2012.

2. Basis of preparation

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 26 February 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 26 February 2011, as described in those annual financial statements.

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

The following new and amended mandatory standards and interpretations have had no material impact on the group's interim financial statements:

- Annual improvements 2009 (effective 1 January 2010)
- Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010)
- Amendments to IFRS 1 for additional exemptions (effective 1 January 2010)
- Amendment to IAS 32 Financial instruments: Presentation on classification of rights issues (effective 1 February 2010)
- Amendment to IFRS 1, First time adoption on financial instrument disclosures (effective 1 July 2010)
- IFRIC 15, 'Arrangements for construction of real estates' (effective 1 January 2009 but EU endorsed for 1 January 2010)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)

Missouri Topco Limited

Notes to the Financial Statements (continued)

4. Operating profit

Continuing operations	13 weeks ended 26 November 2011 £'m	13 weeks ended 27 November 2010 £'m	39 weeks ended 26 November 2011 £'m	39 weeks ended 27 November 2010 £'m	52 weeks ended 26 February 2011 £'m
Revenue	310.8	300.3	837.4	836.0	1,096.5
Cost of goods sold	(173.3)	(143.2)	(469.7)	(419.7)	(569.0)
Selling expenses	(79.0)	(81.5)	(235.7)	(234.9)	(314.4)
Distribution expenses	(10.4)	(10.2)	(28.6)	(28.0)	(37.6)
Total cost of sales	(262.7)	(234.9)	(734.0)	(682.6)	(921.0)
Gross profit	48.1	65.4	103.4	153.4	175.5
Administrative expenses (excluding exceptional items)	(13.7)	(15.5)	(42.8)	(43.1)	(54.5)
Exceptional items (note 14)	(3.4)	0.1	(4.1)	(5.9)	(6.4)
Administrative expenses	(17.1)	(15.4)	(46.9)	(49.0)	(60.9)
Operating profit	31.0	50.0	56.5	104.4	114.6

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Notes to the Financial Statements (continued)

5. 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 26 November 2011	13 weeks ended 27 November 2010	39 weeks ended 26 November 2011	39 weeks ended 27 November 2010	52 weeks ended 26 February 2011
	£'m	£'m	£'m	£'m	£'m
Operating profit	31.0	50.0	56.5	104.4	114.6
Depreciation	5.6	6.0	17.1	19.1	25.3
Amortisation	1.7	1.9	5.2	5.5	7.3
Exceptional items	3.4	(0.1)	4.1	5.9	6.4
EBITDA	41.7	57.8	82.9	134.9	153.6
Rent expense	21.7	22.8	67.5	66.4	89.7
EBITDAR	63.4	80.6	150.4	201.3	243.3

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.

6. Taxation

Tax for the 13 week period ended 26 November 2011 is charged at 53.4% (13 weeks ended 27 November 2010: 32.9%; 39 weeks ended 26 November 2011: 59.2%; 39 weeks ended 27 November 2010: 33.0%; 52 weeks ended 26 February 2011: 33.7%) of continuing operations representing the best estimate of the effective annual tax rate expected for the full year, applied to the pre-tax profit for the 13 week period.

The total tax charge for the year is higher than the UK rate of 26.0% at the end of November 2011 (November 2010: 28.0%; February 2011: 28.0%). The key reconciling items relate to non-deductible expenses.

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Notes to the Financial Statements (continued)

7. Financial liabilities – borrowings

	26 November 2011 £'m	27 November 2010 £'m	26 February 2011 £'m
Current			
Senior Facilities (net of £nil of issue costs (November 2010: £2.0m; February 2011: £2.1m))	-	(16.0)	(15.9)
	-	(16.0)	(15.9)
Non current			
Senior Facilities (net of £nil of issue costs (November 2010: £7.6m; February 2011: £7.3m))	-	(214.4)	(205.7)
Senior notes (net of £6.2m of issue costs (November 2010: £7.4m; February 2011: £7.0m))	(218.8)	(217.6)	(218.0)
Senior secured notes (net of £9.2m of issue costs)	(240.8)	-	-
	(459.6)	(432.0)	(423.7)

On 11 April 2011, the group completed an issue of £250.0m Senior secured notes, over 5 years at a fixed rate of 8 7/8%. The existing senior secured facilities of £231.0m were repaid on 12 April 2011. The unsecured fixed rate Senior notes of £225.0m issued in March 2010, over 7 years at a fixed rate of 9 5/8%, are still in issue.

Bank loan amounts include rolled up interest charges as appropriate to the instrument and also include an element of borrowing costs in accordance with IAS39. Average interest rates on bank loans during the 13 weeks ended 26 November 2011 were £nil (13 weeks ended 27 November 2010: 7.6%; 39 weeks ended 26 November 2011: 5.6%; 39 weeks ended 27 November 2010: 7.3%; 52 weeks ended 26 February 2011: 5.6%).

During the 13 week period ended 26 November 2011 £nil (13 weeks ended 27 November 2010: £nil; 39 weeks ended 26 November 2011: £8.0m; 39 weeks ended 27 November 2010: £11.3m; 52 weeks ended 26 February 2011: £11.3m) of finance costs associated with the April 2011 refinancing exercise have been expensed as exceptional items (refer to note 14).

During the 39 week period ending 26 November 2011, fees of £10.5m associated with the refinancing were incurred and will be amortised over the terms of the facilities.

Interest rate swaps and an interest rate cap entered into by the group are described in note 8.

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Notes to the Financial Statements (continued)

7. Financial liabilities – borrowings (continued)

Maturity of bank loans, senior facilities and senior notes

	26 November 2011 £'m	27 November 2010 £'m	26 February 2011 £'m
Less than one year	-	18.0	18.0
One to five years	250.0	72.0	72.0
Five to ten years	225.0	375.0	366.0
	475.0	465.0	456.0
Issue costs	(15.4)	(17.0)	(16.4)
	459.6	448.0	439.6
Current	-	16.0	15.9
Non current	459.6	432.0	423.7
	459.6	448.0	439.6

Borrowing facilities

At 26 November 2011 the table below reflects the usage of the Revolving Credit Facilities. These facilities are subject to an annual review and incur fees at market rates.

	26 November 2011 £'m	27 November 2010 £'m	26 February 2011 £'m
Letters of credit	2.2	2.7	0.9
Guarantees	8.6	8.5	8.6
Unused	39.2	38.8	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 loans and overdraft are secured by fixed and floating charges on all assets of the group.

Missouri Topco Limited

Notes to the Financial Statements (continued)

8. Derivative financial instruments

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 26 November 2011 is £446.9m (27 November 2010: £493.4m; 26 February 2011: £448.6m).

The net fair value of gains as at 26 November 2011 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £12.0m (27 November 2010: losses of £1.1m; 26 February 2011: losses of £13.5m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

Interest rate swap

During prior years the group has entered into interest rate swaps which were executed to partially hedge the group's interest rate exposure against unfavourable movements in LIBOR. The directors did not seek to apply hedge accounting under IAS39 to these derivatives, consequently the changes in their fair value at each period end was recognised in the income statement.

During the 52 week period ended 27 February 2010 the holders of the interest rate swap defaulted on the contract. We continue to be in dispute with the holders of this instrument.

New floating to fixed rate swaps were then entered into during the 52 week period ended 27 February 2010. These had an initial notional principal of £238.3m which was being amortised over the period of the swaps. The start dates were 28 August 2009 and the final maturity date was to be 31 March 2013. The weighted average fixed rate payable under these swaps was 3.16%.

During the 52 week period ended 26 February 2011, the group entered into basis swaps to align the interest rate swaps with expected cash flows. The basis swaps had an initial notional amount of £198.4m which was being amortised over the period of the swaps. The contract start dates were 31 August 2010 and the final maturity date was to be 31 August 2012. The company was paying three month LIBOR and was receiving one month LIBOR plus 0.1805%.

On 11 April 2011, the group completed a refinancing of existing debt and issue of senior secured notes. The interest rate swaps entered into during the 52 week period ending 27 February 2010 and basis swaps entered into during the 52 week period ending 26 February 2011 were terminated as part of this exercise resulting in the group making settlement payments of £4.7m. The fair value of the interest rate swaps in place as at 27 November 2010 was a £7.9m loss and at 26 February 2011 a £5.9m loss. The directors based their assessment of the fair value of these derivatives on the market valuation provided by independent third parties.

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Notes to the Financial Statements (continued)

9. Provisions for other liabilities and charges

Onerous contracts	26 November 2011 £'m	27 November 2010 £'m	26 February 2011 £'m
Start of the period	(4.4)	(7.1)	(7.1)
Utilised in the period	0.7	0.9	1.2
(Charged) / credited to the income statement as an exceptional item	(2.7)	-	1.5
End of period	(6.4)	(6.2)	(4.4)

	26 November 2011 £'m	27 November 2010 £'m	26 February 2011 £'m
Analysis of total provisions:			
Non-current	(5.1)	(5.3)	(3.7)
Current	(1.3)	(0.9)	(0.7)
	(6.4)	(6.2)	(4.4)

Two leases previously assigned to another retailer were 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 leases were onerous and this was treated as exceptional in nature.

During the period a provision for an onerous lease was recognised on a property no longer used by the business.

Missouri Topco Limited

Notes to the Financial Statements (continued)

10. Cash flow from operating activities

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

	13 weeks ended 26 November 2011 £'m	13 weeks ended 27 November 2010 £'m	39 weeks ended 26 November 2011 £'m	39 weeks ended 27 November 2010 £'m	52 weeks ended 26 February 2011 £'m
Cash generated from operations					
Operating profit	31.0	50.0	56.5	104.4	114.6
Adjustments for:					
Depreciation	5.6	6.0	17.1	19.1	25.3
Amortisation	1.7	1.9	5.2	5.5	7.3
Non cash exceptional items	2.6	0.1	2.6	1.1	(1.4)
Share based compensation charge	0.8	0.8	2.0	2.4	5.3
Hedge accounting	(0.9)	0.1	(1.0)	0.1	0.1
Operating cash flows before movements in working capital	40.8	58.9	82.4	132.6	151.2
Movements in working capital:					
(Increase) in inventories	(26.7)	(30.4)	(55.7)	(35.4)	(13.4)
(Increase) in trade and other receivables	(5.3)	(7.5)	(10.2)	(11.1)	(2.0)
Increase in trade and other payables	43.6	19.5	55.5	16.2	4.4
Net cash flows from operating activities	52.4	40.5	72.0	102.3	140.2

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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 27 February 2011	Cash movements	Non cash movements	Net debt at 26 November 2011
	£'m	£'m	£'m	£'m
Cash and cash equivalents	83.1	14.4	-	97.5
Debt due within 1 year	(15.9)	15.9	-	-
Debt due after 1 year	(423.7)	(34.9)	(1.0)	(459.6)
	(439.6)	(19.0)	(1.0)	(459.6)
	(356.5)	(4.6)	(1.0)	(362.1)

12. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Group bank loans and overdrafts as disclosed in note 7 are secured by fixed and floating charges on all the assets of the group.

13. Related party transactions

The company considers the Hargreaves family to be the ultimate controlling party. In addition to the transaction detailed in note 15, the company has leased a new distribution centre from a company associated with the Hargreaves family during the period. The rental paid to date is £268k.

Also, the group continues to lease a building from a company associated with the Hargreaves family. A portion of this building has been leased to three companies associated with the Hargreaves family. The rental paid in the 13 week period ending 26 November 2011 was £0.2m (13 weeks ended 27 November 2010: £0.2m; 39 week period ending 26 November 2011: £0.5m; 39 week period ending 27 November 2010: £0.5m; 52 weeks ended 26 February 2011: £0.7m). The rental income in the 13 week period ending 26 November 2011 was £37,250 (13 weeks ended 27 November 2010: £37,250; 39 week period ending 26 November 2011: £0.1m; 39 week period ending 27 November 2010: £0.1m; 52 weeks ended 26 February 2011: £0.2m).

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Notes to the Financial Statements (continued)

14. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 26 November 2011	13 weeks ended 27 November 2010	39 weeks ended 26 November 2011	39 weeks ended 27 November 2010	52 weeks ended 26 February 2011
	£'m	£'m	£'m	£'m	£'m
Restructuring costs	(0.7)	(0.1)	(1.4)	(0.1)	(0.9)
Onerous contract provision	(2.7)	0.1	(2.7)	0.4	1.9
Refinancing costs	-	0.1	-	(6.2)	(6.1)
Acceleration of IFRS 2 charge	-	-	-	-	(1.2)
Wolsey Limited disposal costs	-	-	-	-	(0.1)
Exceptional items – Administrative	(3.4)	0.1	(4.1)	(5.9)	(6.4)
Refinancing costs	-	-	(8.0)	(11.3)	(11.3)
Exceptional items – Finance costs	-	-	(8.0)	(11.3)	(11.3)
Total exceptional items	(3.4)	0.1	(12.1)	(17.2)	(17.7)

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Notes to the Financial Statements (continued)

15. Discontinued operations

On 20th October 2010, Wolsey Limited, a wholly owned subsidiary within the Matalan group, was sold to a company associated with the Hargreaves family on terms equivalent to those that prevail in an arms length transaction for a cash settlement of £10.0m. This disposal was documented as a permitted disposal in our previous financing documents and the proceeds were used to prepay bank debt.

Wolsey's results have been disclosed under discontinued operations in the prior periods reported in this document.

	13 weeks ended 26 November 2011	13 weeks ended 27 November 2010	39 weeks ended 26 November 2011	39 weeks ended 27 November 2010	52 weeks ended 26 February 2011
	£'m	£'m	£'m	£'m	£'m
Revenue	-	2.8	-	6.7	6.7
Profit before taxation	-	0.5	-	0.6	0.6
Taxation	-	(0.2)	-	(0.2)	(0.2)
Profit for the period	-	0.3	-	0.4	0.4
Loss on sale of Wolsey	-	(0.6)	-	(0.6)	(0.6)
Loss for the period from discontinued operations	-	(0.3)	-	(0.2)	(0.2)