

Registered No: 00045618

Missouri Topco Limited

Condensed Consolidated Interim Financial Statements

13 weeks ended 25 May 2013

Missouri Topco Limited

Contents

	Page
Results of operations	1
Condensed consolidated income statement	3
Statement of comprehensive income	4
Condensed consolidated balance sheet	5
Condensed consolidated cash flow statement	6
Condensed consolidated statement of changes in shareholders' equity	7
Notes to the financial statements	9

Missouri Topco Limited

Results of operations for the 13 weeks ended 25 May 2013

Revenue

Revenue decreased by 7.2% to £258.6m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £278.6m; 52 week period ended 23 February 2013: £1,125.4m).

Cost of sales and gross profit

Cost of sales decreased by 6.1% to £233.1m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £248.2m; 52 week period ended 23 February 2013: £997.8m).

Gross profit decreased by 16.1% to £25.5m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £30.4m; 52 week period ended 23 February 2013: £127.6m).

Gross profit as a percentage of revenue decreased to 9.9% in the 13 weeks ended 25 May 2013 (13 week period ended 26 May 2012: 10.9%; 52 week period ended 23 February 2013: 11.3%).

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) increased by £0.1m to £14.1m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £14.0m; 52 week period ended 23 February 2013: £62.4m).

Exceptional items of £0.7m were incurred in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £nil; 52 week period ended 23 February 2013: £2.0m).

Operating profit

Operating profit pre exceptional items decreased by £4.3m to £12.1m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £16.4m; 52 week period ended 23 February 2013: £67.2m).

Net finance costs

Net finance costs (excluding exceptional items) decreased by £0.2m to £11.8m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £12.0m; 52 week period ended 23 February 2013: £47.4m).

Exceptional refinancing costs of £nil have been incurred in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £nil; 52 week period ended 23 February 2013: £0.5m).

Taxation

Taxation decreased to £0.2m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £1.2m; 52 week period ended 23 February 2013: £4.3m).

(Loss)/profit for the period

The loss for the period was £0.6m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £3.2m profit; 52 week period ended 23 February 2013: £13.5m profit).

Missouri Topco Limited

Results of operations for the 13 weeks ended 25 May 2013 (continued)

Cash flow

Cash flows from operating activities decreased by £27.8m to £(4.4)m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £23.4m; 52 week period ended 23 February 2013: £94.9m).

Net cash used in investing activities was £6.3m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £3.8m; 52 week period ended 23 February 2013: £21.0m).

Cash decreased by £34.9m in the 13 week period ended 25 May 2013 (13 week period ended 26 May 2012: £3.2m decrease; 52 weeks ended 23 February 2013: £24.5m increase). The cash balance as at 25 May 2013 was £85.8m.

Missouri Topco Limited

Condensed consolidated income statement

	Note	13 weeks ended 25 May 2013 £'m	13 weeks ended 26 May 2012 £'m	52 weeks ended 23 February 2013 £'m
Revenue	3	258.6	278.6	1,125.4
Cost of sales	3	(233.1)	(248.2)	(997.8)
Gross profit	3	25.5	30.4	127.6
Administrative expenses (including exceptional items)	3	(14.1)	(14.0)	(62.4)
Operating profit	3	11.4	16.4	65.2
Operating profit pre exceptional items		12.1	16.4	67.2
Exceptional items	13	(0.7)	-	(2.0)
Operating profit		11.4	16.4	65.2
Finance costs		(12.0)	(12.1)	(47.7)
Exceptional refinancing costs	13	-	-	(0.5)
Finance income		0.2	0.1	0.8
Net finance costs		(11.8)	(12.0)	(47.4)
Profit before income tax and exceptional items		0.3	4.4	20.3
Total exceptional items	13	(0.7)	-	(2.5)
(Loss)/profit before income tax		(0.4)	4.4	17.8
Income tax	5	(0.2)	(1.2)	(4.3)
(Loss)/profit for the period		(0.6)	3.2	13.5

The notes on pages 9 to 17 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

Statement of comprehensive income

	13 weeks ended 25 May 2013	13 weeks ended 26 May 2012	52 weeks ended 23 February 2013
	£'m	£'m	£'m
(Loss)/profit for the period	(0.6)	3.2	13.5
Other comprehensive income:			
Cash flow hedges	-	7.1	17.7
Income tax element of cash flow hedges	-	(1.8)	(4.0)
Total other comprehensive income, net of income tax	-	5.3	13.7
Total comprehensive (expenditure)/income	(0.6)	8.5	27.2

The notes on pages 9 to 17 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

Condensed consolidated balance sheet

		25 May 2013	26 May 2012	23 February 2013
	Note	£'m	£'m	£'m
Assets				
Property, plant and equipment		150.3	157.9	152.0
Intangible assets		17.7	19.0	17.7
Deferred income tax asset		0.4	0.5	0.4
Financial assets – derivative financial instruments	7	1.4	2.7	4.8
Total non-current assets		169.8	180.1	174.9
Inventories – goods for resale		151.8	138.8	140.7
Trade and other receivables		26.6	22.0	23.0
Financial assets – derivative financial instruments	7	19.7	7.2	16.9
Cash and cash equivalents		85.8	93.0	120.7
Total current assets		283.9	261.0	301.3
Total assets		453.7	441.1	476.2
Liabilities				
Financial liabilities – derivative financial instruments	7	-	-	-
Trade and other payables		(151.4)	(157.2)	(171.0)
Current income tax liabilities		(3.0)	(3.1)	(4.8)
Provisions for other liabilities and charges	8	(1.3)	(1.3)	(1.3)
Total current liabilities		(155.7)	(161.6)	(177.1)
Financial liabilities – borrowings	6	(464.5)	(461.3)	(463.7)
Financial liabilities – derivative financial instruments	7	(0.1)	-	-
Trade and other payables		(39.1)	(41.3)	(40.0)
Deferred income tax liabilities		(15.4)	(16.2)	(15.6)
Provisions for other liabilities and charges	8	(3.6)	(4.1)	(4.0)
Total non-current liabilities		(522.7)	(522.9)	(523.3)
Total liabilities		(678.4)	(684.5)	(700.4)
Net liabilities		(224.7)	(243.4)	(224.2)
Shareholders' deficit				
Share capital		17.3	17.3	17.3
Share premium		385.6	385.6	385.6
Hedge reserve		15.3	6.9	15.3
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		122.6	112.3	123.1
Total shareholders' deficit		(224.7)	(243.4)	(224.2)

The notes on pages 9 to 17 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

Condensed consolidated cash flow statement

		13 weeks ended 25 May 2013	13 weeks ended 26 May 2012	52 weeks ended 23 February 2013
	Note	£'m	£'m	£'m
Cash flows from operating activities				
Cash generated	9	(4.4)	23.4	94.9
Interest paid		(22.2)	(22.1)	(44.7)
Income tax paid		(2.0)	(0.7)	(4.7)
Net cash (used in)/ generated from operating activities		(28.6)	0.6	45.5
Cash flows from investing activities				
Purchases of property, plant and equipment		(3.9)	(3.5)	(15.3)
Purchases of intangible assets		(2.6)	(0.4)	(6.4)
Interest received		0.2	0.1	0.7
Net cash used in investing activities		(6.3)	(3.8)	(21.0)
Net (decrease)/ increase in cash and cash equivalents		(34.9)	(3.2)	24.5
Cash and cash equivalents at the beginning of the period		120.7	96.2	96.2
Cash and cash equivalents at the end of the period		85.8	93.0	120.7

The notes on pages 9 to 17 form an integral part of this condensed consolidated interim financial information.

Missouri Topco Limited

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 26 February 2012	17.3	385.6	(774.3)	1.6	5.7	3.1	108.9	(252.1)
Comprehensive income:								
Profit for the period	-	-	-	-	-	-	3.2	3.2
Total profit for the period	-	-	-	-	-	-	3.2	3.2
Other comprehensive income:								
Cash flow hedges:								
- fair value gains in the period	-	-	-	7.7	-	-	-	7.7
- transfers to inventory	-	-	-	(0.6)	-	-	-	(0.6)
- income tax element of cash flow hedges	-	-	-	(1.8)	-	-	-	(1.8)
Total cash flow hedges, net of income tax	-	-	-	5.3	-	-	-	5.3
Total other comprehensive income	-	-	-	5.3	-	-	-	5.3
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 26 May 2012	17.3	385.6	(774.3)	6.9	5.7	3.1	112.3	(243.4)

Missouri Topco Limited

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 24 February 2013	17.3	385.6	(774.3)	15.3	5.7	3.1	123.1	(224.2)
Comprehensive income:								
(Loss)/profit for the period	-	-	-	-	-	-	(0.6)	(0.6)
Total profit for the period	-	-	-	-	-	-	(0.6)	(0.6)
Other comprehensive income:								
Cash flow hedges:								
- fair value losses in the period	-	-	-	(0.6)	-	-	-	(0.6)
- transfers to inventory	-	-	-	0.6	-	-	-	0.6
- income tax element of cash flow hedges	-	-	-	-	-	-	-	-
Total cash flow hedges, net of income tax	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Transactions with owners:								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	0.1	0.1
Total transactions with owners	-	-	-	-	-	-	0.1	0.1
As at 25 May 2013	17.3	385.6	(774.3)	15.3	5.7	3.1	122.6	(224.7)

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 12th July 2013.

2. Summary of accounting policies

Basis of preparation

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 23 February 2013, 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 23 February 2013, 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.

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 13 Fair value measurement (2011)
- Amended IAS 1 Presentation of items of other comprehensive income (2010)
- Amended IAS 12 Income taxes: Deferred Tax – Recovery of underlying assets (2010)
- Revised IAS 19 Employee Benefits (2011)
- IFRS 9 Financial Instruments: Classification and Measurement (2010)
- Amendments to IFRS 7 Disclosures offsetting financial assets and liabilities
- Amendments to IAS 32 Offsetting financial assets and financial liabilities

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

Missouri Topco Limited

Notes to the financial statements (continued)

3. Operating profit

	13 weeks ended 25 May 2013	13 weeks ended 26 May 2012	52 weeks ended 23 February 2013
	£'m	£'m	£'m
Revenue	258.6	278.6	1,125.4
Cost of goods sold	(142.3)	(156.3)	(626.6)
Selling expenses	(82.4)	(82.5)	(333.3)
Distribution expenses	(8.4)	(9.4)	(37.9)
Total cost of sales	(233.1)	(248.2)	(997.8)
Gross profit	25.5	30.4	127.6
Administrative expenses pre exceptional items	(13.4)	(14.0)	(60.4)
Exceptional items (note 13)	(0.7)	-	(2.0)
Administrative expenses	(14.1)	(14.0)	(62.4)
Operating profit	11.4	16.4	65.2

Missouri Topco Limited

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 consolidated interim financial statements is therefore presented as a single reportable segment.

The chief operating decision-maker relies primarily on EBITDA before exceptional items to assess the performance of the group and make decisions about resources to be allocated to the segment. This can be reconciled to statutory operating profit as follows:

	13 weeks ended 25 May 2013	13 weeks ended 26 May 2012	52 weeks ended 23 February 2013
	£'m	£'m	£'m
Operating profit	11.4	16.4	65.2
Depreciation	5.5	5.6	23.3
Amortisation	1.8	1.6	9.9
Exceptional items	0.7	-	2.0
EBITDA	19.4	23.6	100.4
Rent expense	24.1	23.9	95.3
EBITDAR	43.5	47.5	195.7

The performance of the group is subject to seasonal peaks. The group traditionally performs well during the late spring and early summer and over the Christmas season.

Whilst the e-commerce business represents a significant opportunity for future growth within the group, it does not yet represent a significant portion of the operating results of the group. E-commerce is therefore not reported as a separate operating segment by the group for internal or external reporting purposes.

5. Income tax

Income tax for the 13 week period ended 25 May 2013 is charged at 29.8% (13 weeks ended 26 May 2012: 27.3%; 52 weeks ended 23 February 2013: 24.2%) of profit representing the best estimate of the effective annual income tax rate expected for the full year, applied to the pre-tax income for the 13 week period.

The total income tax charge for the quarter is higher than the UK rate of 23.0% at the end of May 2013. (May 2012: 24.0%, February 2013: 24.0%). The key reconciling items relate to non-deductible expenses.

Missouri Topco Limited

Notes to the financial statements (continued)

6. Financial liabilities – borrowings

	25 May 2013	26 May 2012	23 February 2013
	£'m	£'m	£'m
Non-current			
Senior notes (net of £4.5m of issue costs (May 2012: £5.6m; February 2013: £4.7m))	(220.5)	(219.4)	(220.3)
Senior secured notes (net of £6.0m of issue costs (May 2012: £8.1m, February 2013 £6.6m))	(244.0)	(241.9)	(243.4)
	(464.5)	(461.3)	(463.7)

Notes in issue are all denominated in Sterling as at 25 May 2013. The group had no short term borrowings during any of the reported periods.

Note amounts include rolled up interest charges as appropriate to the instrument and also include an element of issue costs in accordance with IAS39.

Maturity of notes

	25 May 2013	26 May 2012	23 February 2013
	£'m	£'m	£'m
Less than one year	-	-	-
One to five years	475.0	250.0	475.0
Five to ten years	-	225.0	-
	475.0	475.0	475.0
Issue costs	(10.5)	(13.7)	(11.3)
	464.5	461.3	463.7
Current	-	-	-
Non-current	464.5	461.3	463.7
	464.5	461.3	463.7

Missouri Topco Limited

Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Borrowing facilities

At 25 May 2013 the table below reflects the usage of the Revolving Credit Facilities (RCF). These facilities are subject to an annual review and incur fees at market rates.

	25 May 2013	26 May 2012	23 February 2013
	£'m	£'m	£'m
Letters of credit	2.1	2.0	3.0
Guarantees	8.2	8.2	8.2
Unused	19.7	19.8	18.8
Total available	30.0	30.0	30.0

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Notes in issue as disclosed are guaranteed by the assets of the guarantor group.

7. Derivative financial instruments

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 25 May 2013 is £550.1m (26 May 2012: £595.9m; 23 February 2013: £452.7m).

The net fair value of gains as at 25 May 2013 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £21.0m (26 May 2012: gains of £9.9m; 23 February 2013: gains of £21.7m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

Missouri Topco Limited

Notes to the financial statements (continued)

8. Provisions for other liabilities and charges

			Onerous contracts £'m
At 24 February 2013			(5.3)
Utilised in the period			0.4
At 25 May 2013			(4.9)
	25 May 2013 £'m	26 May 2012 £'m	23 February 2013 £'m
Analysis of total provisions:			
Non-current	(3.6)	(4.1)	(4.0)
Current	(1.3)	(1.3)	(1.3)
	(4.9)	(5.4)	(5.3)

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 and is being released over the remaining life of the lease.

During a previous period a provision for an onerous lease was recognised on a property no longer used by the business. This provision was treated as exceptional in nature and is being released over the remaining life of the lease.

Missouri Topco Limited

Notes to the financial statements (continued)

9. Cash flow from operating activities

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

	13 weeks ended 25 May 2013	13 weeks ended 26 May 2012	52 weeks ended 23 February 2013
	£'m	£'m	£'m
Cash generated from operations			
Operating profit	11.4	16.4	65.2
Adjustments for:			
Depreciation	5.5	5.6	23.3
Amortisation of intangibles	1.8	1.6	9.9
Non cash exceptional items	-	-	(0.7)
Share based compensation charge	0.2	0.2	0.7
Hedge accounting	0.1	-	(0.1)
Operating cash flows before movements in working capital	19.0	23.8	98.3
Movements in working capital:			
Increase in inventories	(10.5)	(7.0)	(9.2)
Increase in trade and other receivables	(3.6)	(2.3)	(3.3)
(Decrease)/ increase in trade and other payables	(9.3)	8.9	9.1
Net cash flows from operating activities	(4.4)	23.4	94.9

Missouri Topco Limited

Notes to the financial statements (continued)

10. Reconciliation of net debt

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

	Net debt at 24 February 2013	Cash movements	Non cash movements	Net debt at 25 May 2013
	£'m	£'m	£'m	£'m
Cash and cash equivalents	120.7	(34.9)	-	85.8
Debt due after 1 year	(463.7)	-	(0.8)	(464.5)
	(343.0)	(34.9)	(0.8)	(378.7)

11. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Notes in issue as disclosed in note 6 are guaranteed by the assets of the guarantor group.

12. 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 continues to be leased to companies associated with the Hargreaves family. The rental paid in the 13 week period ending 25 May 2013 was £0.2m (13 weeks ended 26 May 2012 £0.2m; 52 weeks ended 23 February 2013: £0.7m). The rental income in the 13 week period ending 25 May 2013 was £85,000 (13 weeks ending 26 May 2012 £60,000; 52 weeks ended 23 February 2013: £0.2m). During a previous year, the buying team previously housed in this building was relocated to head office in Skelmersdale. The group has no further current use for this building nor does it expect to for the remainder of the lease term. Therefore a provision was recognised in relation to the onerous element of this lease. This provision was treated as exceptional in nature and is being released over the remaining lease term (refer to note 13).

During a previous period the company leased a new distribution centre from a company associated with the Hargreaves family. During the 13 week period ended 25 May 2013 the rental paid was £0.3m (13 weeks ended 26 May 2012: £0.3m; 52 weeks ended 23 February 2013: £1.1m). This transaction has taken place on commercial terms.

Missouri Topco Limited

Notes to the financial statements (continued)

13. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 25 May 2013	13 weeks ended 26 May 2012	52 weeks ended 23 February 2013
	£'m	£'m	£'m
Restructuring costs	(0.7)	-	(1.3)
Onerous contract provision	-	-	0.8
Refinancing costs	-	-	(1.5)
Exceptional items – administrative expenses	(0.7)	-	(2.0)
Refinancing costs	-	-	(0.5)
Exceptional items – finance costs	-	-	(0.5)
Total exceptional items	(0.7)	-	(2.5)

Restructuring costs

Restructuring costs of £0.7m were incurred in the 13 week period ended 25 May 2013 (13 week period 26 May 2012 £nil; 52 week period ended 23 February 2013 £1.3m).

Onerous contract provision

During the 52 week period ended 23 February 2013 £0.8m of income was received from properties in respect of 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.

Refinancing costs

During the 52 week period ended 23 February 2013 £1.5m of refinancing costs were incurred during the period relating to the settlement of a dispute with the holders of an interest rate swap that the group had previously entered into.

Financing costs

During the 52 week period ended 23 February 2013 £0.5m arising from a change in the discount rate applied to the onerous lease provision calculation was expensed as an exceptional item within finance costs.