

Registered No: 00045618

Missouri Topco Limited

Condensed Consolidated Interim Financial Statements

13 weeks ended 26 May 2012

Missouri Topco Limited

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Results of operations for the 13 weeks ended 26 May 2012

Revenue

Revenue increased by 3.9% to £278.6m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £268.1m; 52 week period ended 25 February 2012: £1,117.5m).

Cost of sales and gross profit

Cost of sales increased by 6.2% to £248.2m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £233.8m; 52 week period ended 25 February 2012: £1,000.8m).

Gross profit decreased by 11.4% to £30.4m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £34.3m; 52 week period ended 25 February 2012: £116.7m).

Gross profit as a percentage of revenue decreased to 10.9% in the 13 weeks ended 26 May 2012 (13 week period ended 28 May 2011: 12.8%; 52 week period ended 25 February 2012: 10.4%).

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) increased by £0.3m to £14.0m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £13.7m; 52 week period ended 25 February 2012: £58.9m).

Exceptional items of £nil were incurred in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £nil; 52 week period ended 25 February 2012: £4.0m).

Operating profit

Operating profit pre exceptional items decreased by £4.2m to £16.4m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £20.6m; 52 week period ended 25 February 2012: £61.8m).

Net finance costs

Net finance costs (excluding exceptional items) increased by £0.6m to £12.0m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £11.4m; 52 week period ended 25 February 2012: £47.4m).

Exceptional refinancing costs of £nil have been incurred in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £8.0m; 52 week period ended 25 February 2012: £8.3m).

Taxation

Taxation increased to £1.2m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £0.4m; 52 week period ended 25 February 2012: £0.9m credit).

Profit for the period

Profit for the period increased to £3.2m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £0.8m; 52 week period ended 25 February 2012: £3.0m).

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Results of operations for the 13 weeks ended 26 May 2012 (continued)

Cash flow

Cash flows from operating activities increased by £9.3m to £23.4m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £14.1m; 52 week period ended 25 February 2012: £76.8m). This increase is largely driven by movements in working capital.

Net cash used in investing activities was £3.8m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £7.1m; 52 week period ended 25 February 2012: £20.4m).

Net cash generated from financing activities was £nil in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £4.1m; 52 week period ended 25 February 2012: £3.4m).

Cash decreased by £3.2m in the 13 week period ended 26 May 2012 (13 week period ended 28 May 2011: £6.4m decrease; 52 weeks ended 25 February 2012: £13.1m increase). This is largely due to higher interest payments. The cash balance as at 26 May 2012 was £93.0m. This represents a £16.3m increase on the cash balance as at 28 May 2011.

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Condensed consolidated income statement

	Note	13 weeks ended 26 May 2012 £'m	13 weeks ended 28 May 2011 £'m	52 weeks ended 25 February 2012 £'m
Revenue	3	278.6	268.1	1,117.5
Cost of sales	3	(248.2)	(233.8)	(1,000.8)
Gross profit	3	30.4	34.3	116.7
Administrative expenses (including exceptional items)	3	(14.0)	(13.7)	(58.9)
Operating profit	3	16.4	20.6	57.8
Operating profit pre exceptional items		16.4	20.6	61.8
Exceptional items	13	-	-	(4.0)
Operating profit		16.4	20.6	57.8
Finance costs		(12.1)	(11.5)	(48.0)
Exceptional refinancing costs	13	-	(8.0)	(8.3)
Finance income		0.1	0.1	0.6
Net finance costs		(12.0)	(19.4)	(55.7)
Profit before income tax and exceptional items		4.4	9.2	14.4
Total exceptional items	13	-	(8.0)	(12.3)
Profit before income tax		4.4	1.2	2.1
Income tax	5	(1.2)	(0.4)	0.9
Profit for the period		3.2	0.8	3.0

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

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Statement of comprehensive income

	13 weeks ended 26 May 2012	13 weeks ended 28 May 2011	52 weeks ended 25 February 2012
	£'m	£'m	£'m
Profit for the period	3.2	0.8	3.0
Other comprehensive income:			
Cash flow hedges	7.1	(9.7)	15.3
Income tax element of cash flow hedges	(1.8)	2.6	(4.1)
Total other comprehensive income, net of income tax	5.3	(7.1)	11.2
Total comprehensive income	8.5	(6.3)	14.2

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

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Condensed consolidated balance sheet

		26 May 2012	28 May 2011	25 February 2012
	Note	£'m	£'m	£'m
Assets				
Property, plant and equipment		157.9	166.0	160.0
Intangible assets		19.0	22.0	20.0
Deferred income tax asset		0.5	4.0	0.5
Financial assets – derivative financial instruments	7	2.7	-	0.7
Total non-current assets		180.1	192.0	181.2
Inventories – goods for resale		138.8	134.3	131.8
Trade and other receivables		22.0	18.5	19.7
Financial assets – derivative financial instruments	7	7.2	0.1	2.7
Cash and cash equivalents		93.0	76.7	96.2
Total current assets		261.0	229.6	250.4
Total assets		441.1	421.6	431.6
Liabilities				
Financial liabilities – derivative financial instruments	7	-	(18.4)	(1.2)
Trade and other payables		(157.2)	(150.0)	(157.7)
Current income tax liabilities		(3.1)	(8.8)	(2.6)
Provisions for other liabilities and charges	8	(1.3)	(0.7)	(1.3)
Total current liabilities		(161.6)	(177.9)	(162.8)
Financial liabilities – borrowings	6	(461.3)	(458.4)	(460.4)
Financial liabilities – derivative financial instruments	7	-	(5.4)	-
Trade and other payables		(41.3)	(39.0)	(41.6)
Deferred income tax liabilities		(16.2)	(11.8)	(14.4)
Provisions for other liabilities and charges	8	(4.1)	(3.5)	(4.5)
Total non-current liabilities		(522.9)	(518.1)	(520.9)
Total liabilities		(684.5)	(696.0)	(683.7)
Net liabilities		(243.4)	(274.4)	(252.1)
Shareholders' deficit				
Share capital		17.3	17.3	17.3
Share premium		385.6	385.6	385.6
Hedge reserve		6.9	(16.7)	1.6
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		112.3	104.9	108.9
Total shareholders' deficit		(243.4)	(274.4)	(252.1)

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

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Condensed consolidated cash flow statement

	Note	13 weeks ended 26 May 2012 £'m	13 weeks ended 28 May 2011 £'m	52 weeks ended 25 February 2012 £'m
Cash flows from operating activities				
Cash generated	9	23.4	14.1	76.8
Interest paid		(22.1)	(14.8)	(38.6)
Income tax paid		(0.7)	(2.7)	(8.1)
Net cash generated from/ (used in) operating activities		0.6	(3.4)	30.1
Cash flows from investing activities				
Purchases of property, plant and equipment		(3.5)	(5.9)	(17.9)
Proceeds from sale of property, plant and equipment		-	-	1.2
Purchases of intangible assets		(0.4)	(1.3)	(4.3)
Interest received		0.1	0.1	0.6
Net cash used in investing activities		(3.8)	(7.1)	(20.4)
Cash flows from financing activities				
Repayment of Senior loan facilities		-	(231.0)	(231.0)
Proceeds from issue of Senior secured notes		-	250.0	250.0
Fees associated with refinancing		-	(14.9)	(15.6)
Net cash generated from financing activities		-	4.1	3.4
Net (decrease)/ increase in cash and cash equivalents		(3.2)	(6.4)	13.1
Cash and cash equivalents at the beginning of the period		96.2	83.1	83.1
Cash and cash equivalents at the end of the period		93.0	76.7	96.2

The notes on pages 9 to 17 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 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	-	-	-	-	-	-	0.8	0.8
Total profit for the period	-	-	-	-	-	-	0.8	0.8
Other comprehensive income:								
Cash flow hedges:								
- fair value gains in the period	-	-	-	(10.1)	-	-	-	(10.1)
- transfers to inventory	-	-	-	0.4	-	-	-	0.4
- income tax element of cash flow hedges	-	-	-	2.6	-	-	-	2.6
Total cash flow hedges, net of income tax	-	-	-	(7.1)	-	-	-	(7.1)
Total other comprehensive income	-	-	-	(7.1)	-	-	-	(7.1)
Transactions with owners:								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	0.5	0.5
Total transactions with owners	-	-	-	-	-	-	0.5	0.5
As at 28 May 2011	17.3	385.6	(774.3)	(16.7)	5.7	3.1	104.9	(274.4)

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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 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)

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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 Gillibrands Road, Skelmersdale, West Lancashire, WN8 9TB.

These condensed consolidated interim financial statements were approved for issue on 6th July 2012.

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 25 February 2012, 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 25 February 2012, 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 7, 'Financial instruments - disclosures' (effective 1 January 2013)
- IFRS 9, 'Financial instruments' (effective 1 January 2015)
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013)
- IFRS 13, 'Fair value measurement' (effective 1 January 2013)
- IAS 19 (revised 2011), 'Employee benefits' (effective 1 July 2012)
- IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013)
- IAS32 'Financial instruments - presentation' (effective 1 January 2014)
- Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012)
- Amendment to IAS 1, 'Presentation of financial statements' on other comprehensive income (effective 1 July 2012)

The company 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

Continuing operations	13 weeks ended 26 May 2012	13 weeks ended 28 May 2011	52 weeks ended 25 February 2012
	£'m	£'m	£'m
Revenue	278.6	268.1	1,117.5
Cost of goods sold	(156.3)	(145.3)	(647.5)
Selling expenses	(82.5)	(79.1)	(315.0)
Distribution expenses	(9.4)	(9.4)	(38.3)
Total cost of sales	(248.2)	(233.8)	(1,000.8)
Gross profit	30.4	34.3	116.7
Administrative expenses pre exceptional items	(14.0)	(13.7)	(54.9)
Exceptional items (note 13)	-	-	(4.0)
Administrative expenses	(14.0)	(13.7)	(58.9)
Operating profit	16.4	20.6	57.8

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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 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 26 May 2012	13 weeks ended 28 May 2011	52 weeks ended 25 February 2012
	£'m	£'m	£'m
Operating profit	16.4	20.6	57.8
Depreciation	5.6	5.2	22.6
Amortisation	1.6	1.8	6.7
Exceptional items	-	-	4.0
EBITDA	23.6	27.6	91.1
Rent expense	23.9	23.3	91.5
EBITDAR	47.5	50.9	182.6

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 26 May 2012 is charged at 27.3% (13 weeks ended 28 May 2011: 33.3%; 52 weeks ended 25 February 2012: 42.9%) 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 24.0% at the end of May 2012. (May 2011: 28.0%, February 2012: 26.0%). The key reconciling items relate to non-deductible expenses.

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Notes to the financial statements (continued)

6. Financial liabilities – borrowings

	26 May 2012	28 May 2011	25 February 2012
	£'m	£'m	£'m
Non-current			
Senior notes (net of £5.6m of issue costs (May 2011: £6.7m; February 2012: £5.9m))	(219.4)	(218.3)	(219.1)
Senior secured notes (net of £8.1m of issue costs (May 2011: £9.9m, February 2012 £8.7m))	(241.9)	(240.1)	(241.3)
	(461.3)	(458.4)	(460.4)

Notes in issue are all denominated in Sterling as at 26 May 2012. 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

	26 May 2012	28 May 2011	25 February 2012
	£'m	£'m	£'m
Less than one year	-	-	-
One to five years	250.0	250.0	250.0
Five to ten years	225.0	225.0	225.0
	475.0	475.0	475.0
Issue costs	(13.7)	(16.6)	(14.6)
	461.3	458.4	460.4
Current	-	-	-
Non-current	461.3	458.4	460.4
	461.3	458.4	460.4

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Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Borrowing facilities

At 26 May 2012 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.

	26 May 2012	28 May 2011	25 February 2012
	£'m	£'m	£'m
Letters of credit	2.0	1.7	1.5
Guarantees	8.2	8.6	8.6
Unused	19.8	39.7	19.9
Total available	30.0	50.0	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.

In February 2012 the group renegotiated its RCF whereby an agreement was made to cancel £20.0m of committed facilities that the Directors considered to be unnecessary.

7. Derivative financial instruments

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 26 May 2012 is £595.9m (28 May 2011: £503.1m; 25 February 2012: £429.7m).

The net fair value of gains as at 26 May 2012 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £9.9m (28 May 2011: losses of £23.7m; 25 February 2012: gains of £2.2m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

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Notes to the financial statements (continued)

8. Provisions for other liabilities and charges

			Onerous contracts £'m
At 26 February 2012			5.8
Utilised in the period			(0.4)
At 26 May 2012			5.4

	26 May 2012 £'m	28 May 2011 £'m	25 February 2012 £'m
Analysis of total provisions:			
Non-current	4.1	3.5	4.5
Current	1.3	0.7	1.3
	5.4	4.2	5.8

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 the 52 week period ended 25 February 2012 a provision for an onerous lease was recognised on a property no longer used by the business. This provision has also been treated as exceptional in nature and is being released over the remaining life of the lease.

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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 26 May 2012	13 weeks ended 28 May 2011	52 weeks ended 25 February 2012
	£'m	£'m	£'m
Cash generated from operations			
Operating profit	16.4	20.6	57.8
Adjustments for:			
Depreciation	5.6	5.2	22.6
Amortisation of intangibles	1.6	1.8	6.7
Profit on disposal of property, plant and equipment	-	-	(1.2)
Non cash exceptional items	-	-	2.4
Share based compensation charge	0.2	0.5	2.3
Hedge accounting	-	(0.1)	(0.1)
Operating cash flows before movements in working capital	23.8	28.0	90.5
Movements in working capital:			
Increase in inventories	(7.0)	(14.6)	(11.8)
Increase in trade and other receivables	(2.3)	(3.1)	(2.2)
Increase in trade and other payables	8.9	3.8	0.3
Net cash flows from operating activities	23.4	14.1	76.8

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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 26 February 2012	Cash movements	Non cash movements	Net debt at 26 May 2012
	£'m	£'m	£'m	£'m
Cash and cash equivalents	96.2	(3.2)	-	93.0
Debt due after 1 year	(460.4)	-	(0.9)	(461.3)
	(364.2)	(3.2)	(0.9)	(368.3)

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 three companies associated with the Hargreaves family. The rental paid in the 13 week period ending 26 May 2012 was £0.2m (13 weeks ended 28 May 2011 £0.2m; 52 weeks ended 25 February 2012: £0.7m). The rental income in the 13 week period ending 26 May 2012 was £60,000 (13 weeks ending 28 May 2011 £37,250; 52 weeks ended 25 February 2012: £0.2m). During the 52 week period ended 25 February 2012, 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 the 52 week period ended 25 February 2012 the company leased a new distribution centre from a company associated with the Hargreaves family. During the 13 week period ended 26 May 2012 the rental paid was £0.3m (13 weeks ended 28 May 2011: £nil; 52 weeks ended 25 February 2012: £0.4m). This transaction has taken place on commercial terms.

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Notes to the financial statements (continued)

13. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 26 May 2012	13 weeks ended 28 May 2011	52 weeks ended 25 February 2012
	£'m	£'m	£'m
Restructuring costs	-	-	(1.5)
Onerous contract provision	-	-	(2.4)
Refinancing costs	-	-	(0.1)
Exceptional items – administrative expenses	-	-	(4.0)
Refinancing costs	-	(8.0)	(8.3)
Exceptional items – finance costs	-	(8.0)	(8.3)
Total exceptional items	-	(8.0)	(12.3)

Restructuring costs

During the 52 week period ended 25 February 2012 restructuring costs of £1.5m were incurred.

Onerous contract provision

During the 52 week period ended 25 February 2012 a provision for an onerous lease was recognised on a property no longer used by the business. This provision was treated as exceptional.

Refinancing costs

In April 2011, the group completed a refinancing of existing Senior debt and issue of new Senior Secured notes (refer to note 6). During the 13 week period ended 26 May 2012 £nil (13 weeks ended 28 May 2011 £8.0m; 52 week period ended 25 February 2012: £8.3m) of refinancing costs have been expensed as exceptional items within net finance costs. These amounts relate to the write off of unamortised debt issue costs associated with the previous Senior debt facilities and costs incurred in relation to the termination of interest rate swaps. No such costs have been incurred in the current period. During the 52 week period ended 25 February 2012 £0.1m of refinancing costs were also expensed as exceptional items within administrative expenses.