

**Registered No: 00045618**

**Missouri Topco Limited**

**Condensed Consolidated Interim Financial Statements**

**13 weeks ended 28 May 2011**

# Missouri Topco Limited

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## **Missouri Topco Limited**

### **Results of continuing operations for the 13 weeks ended 28 May 2011**

#### **Revenue**

Revenue decreased by 2.7% to £268.1m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £275.4m; 52 week period ended 26 February 2011: £1,096.5m). Revenue towards the end of the quarter, in particular, struggled against the strong comparatives of the prior year.

#### **Cost of Sales and Gross Profit**

Cost of sales increased by 2.3% to £233.8m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £228.6m; 52 week period ended 26 February 2011: £921.0m).

Gross profit decreased by 26.7% to £34.3m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £46.8m; 52 week period ended 26 February 2011: £175.5m).

Gross profit as a percentage of revenue decreased to 12.8% in the 13 weeks ended 28 May (13 week period ended 29 May 2010: 17.0%; 52 week period ended 26 February 2010: 16.0%)

The decrease in gross profit margin in the quarter is largely driven by increased cost of goods and reduced currency gains.

#### **Administrative expenses (including exceptional items)**

Administrative expenses (including exceptional items) decreased by 32.5% to £13.7m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £20.3m; 52 week period ended 26 February 2011: £60.9m).

The decrease is driven by £nil exceptional items being incurred in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £5.9m cost; 52 week period ended 26 February 2011: £6.4m cost).

Underlying administrative expenses decreased by 4.9% following cost savings across most cost areas. This decrease was partly offset by increased marketing spend due to the TV campaign.

The £5.9m of exceptional items incurred in prior year includes payments made in relation to the refinancing exercise which took place on 31 March 2010. This cost includes a number of one-off, performance related payments to members of the board and an acceleration of IFRS2 charges.

#### **Operating profit**

Operating profit, excluding exceptional items, decreased by 22.3% to £20.6m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £26.5m; 52 week period ended 26 February 2011: £114.6m).

#### **Net finance costs**

Net finance costs (excluding exceptional items) increased by £1.6m to £11.4m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £9.8m; 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 £456.0m to £475.0m.

Refinancing exceptional items of £8.0m have been incurred in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £11.3m; 52 week period ended 26 February 2011: £11.3m) and shown within finance costs. These exceptional refinancing costs relate to the acceleration of the amortisation of the outstanding loan issue costs relating to the Senior debt facilities and the costs incurred in relation to the termination of the interest rate swaps held by the group.

## **Missouri Topco Limited**

### **Results of continuing operations for the 13 weeks ended 28 May 2011 (continued)**

#### **Taxation**

Taxation decreased to £0.4m in the 13 weeks period ended 28 May 2011 (13 week period ended 29 May 2010: £1.9m; 52 week period ended 26 February 2011: £20.8m).

#### **Profit for the period from continuing operations**

Profit for the period from continuing operations decreased to £0.8m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £3.5m; 52 week period ended 26 February 2011: £40.9m).

#### **Cashflow**

Cash generated from continuing operations decreased by £3.7m to £14.1m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £17.8m; 52 week period ended 26 February 2011: £140.2m). This reduction is largely driven by the reduction in operating profit.

Net cash used in financing activities increased by £55.4m to £4.1m inflow in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £51.3m outflow; 52 week period ended 26 February 2011: £70.4m outflow). This reflects the refinancing transactions in April 2011 and March 2010.

Cash decreased by £6.4m in the 13 week period ended 28 May 2011 (13 week period ended 29 May 2010: £55.1m decrease; 52 weeks ended 26 February 2011: £16.7m decrease). This is largely due to a decrease in net cash generated in operations and higher interest payments. The cash balance as at 28 May 2011 was £76.7m. This represents a £32.0m increase on the cash balance as at 29 May 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 £10.2m associated with this refinancing were incurred. These costs have been capitalised and will be amortised over the terms of the facilities.

As at 28 May 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 £10.3m is in use as at 28 May 2011 (29 May 2010: £8.7m; 26 February 2011: £9.5m).

### **Results of discontinued operations for the 13 weeks ended 28 May 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.

## Missouri Topco Limited

### Condensed consolidated income statement

		<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
		<b>£'m</b>	£'m	£'m
<b>Continuing operations</b>				
Revenue	4	<b>268.1</b>	275.4	1,096.5
Cost of sales	4	<b>(233.8)</b>	(228.6)	(921.0)
<b>Gross profit</b>	4	<b>34.3</b>	46.8	175.5
Administrative expenses (including exceptional items)	4	<b>(13.7)</b>	(20.3)	(60.9)
<b>Operating profit</b>	4	<b>20.6</b>	26.5	114.6
Operating profit pre exceptional items		<b>20.6</b>	32.4	121.0
Exceptional items	14	-	(5.9)	(6.4)
<b>Operating profit</b>		<b>20.6</b>	26.5	114.6
Finance costs		<b>(11.5)</b>	(9.9)	(43.1)
Exceptional refinancing costs	14	<b>(8.0)</b>	(11.3)	(11.3)
Finance income		<b>0.1</b>	0.1	1.5
<b>Net finance costs</b>		<b>(19.4)</b>	(21.1)	(52.9)
<b>Profit before taxation and exceptional items</b>		<b>9.2</b>	22.6	79.4
Total exceptional items	14	<b>(8.0)</b>	(17.2)	(17.7)
<b>Profit before taxation</b>		<b>1.2</b>	5.4	61.7
Taxation	6	<b>(0.4)</b>	(1.9)	(20.8)
<b>Profit for the period from continuing operations</b>		<b>0.8</b>	3.5	40.9
Profit/ (loss) for the period from discontinued operations	15	-	0.2	(0.2)
<b>Profit for the period</b>		<b>0.8</b>	3.7	40.7

The notes on pages 10 to 19 form an integral part of this condensed consolidated interim financial information.

## Missouri Topco Limited

### Statement of comprehensive income

	<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
	<b>£'m</b>	£'m	£'m
<b>Profit for the period from continuing operations</b>	<b>0.8</b>	3.5	40.9
Profit/ (loss) for the period from discontinued operations	-	0.2	(0.2)
<b>Other comprehensive income:</b>			
Cash flow hedges	<b>(9.7)</b>	12.8	(31.6)
Tax element of cash flow hedges	<b>2.6</b>	(3.5)	8.8
<b>Other comprehensive income for the period, net of tax</b>	<b>(7.1)</b>	9.3	(22.8)
<b>Total comprehensive income for the period</b>	<b>(6.3)</b>	13.0	17.9

The notes on pages 10 to 19 form an integral part of this condensed consolidated interim financial information.

# Missouri Topco Limited

## Condensed consolidated balance sheet

		28 May 2011	29 May 2010	26 February 2011
	Note	£'m	£'m	£'m
<b>Assets</b>				
Property, plant and equipment		166.0	167.9	164.8
Goodwill		-	6.4	-
Other intangible assets		22.0	22.3	22.4
Deferred tax asset		4.0	2.9	5.9
Financial assets – derivative financial instruments	8	-	7.1	-
<b>Total non-current assets</b>		<b>192.0</b>	<b>206.6</b>	<b>193.1</b>
Inventories – goods for resale		134.3	119.5	120.0
Trade and other receivables		18.5	19.8	17.5
Financial assets – derivative financial instruments	8	0.1	26.7	1.3
Cash and cash equivalents		76.7	44.7	83.1
<b>Total current assets</b>		<b>229.6</b>	<b>210.7</b>	<b>221.9</b>
<b>Total assets</b>		<b>421.6</b>	<b>417.3</b>	<b>415.0</b>
<b>Liabilities</b>				
Financial liabilities – borrowings	7	-	(7.4)	(15.9)
Financial liabilities – derivative financial instruments	8	(18.4)	(7.4)	(18.2)
Trade and other payables		(150.0)	(144.9)	(152.8)
Current tax liabilities		(8.8)	(16.4)	(12.3)
Provisions for other liabilities and charges	9	(0.7)	(1.0)	(0.7)
<b>Total current liabilities</b>		<b>(177.9)</b>	<b>(177.1)</b>	<b>(199.9)</b>
Financial liabilities – borrowings	7	(458.4)	(448.6)	(423.7)
Financial liabilities – derivative financial instruments	8	(5.4)	-	(2.5)
Trade and other payables		(39.0)	(38.2)	(38.8)
Deferred tax liabilities		(11.8)	(24.5)	(15.0)
Provisions for other liabilities and charges	9	(3.5)	(5.6)	(3.7)
<b>Total non-current liabilities</b>		<b>(518.1)</b>	<b>(516.9)</b>	<b>(483.7)</b>
<b>Total liabilities</b>		<b>(696.0)</b>	<b>(694.0)</b>	<b>(683.6)</b>
<b>Net liabilities</b>		<b>(274.4)</b>	<b>(276.7)</b>	<b>(268.6)</b>
<b>Shareholders' deficit</b>				
Ordinary shares		17.3	17.3	17.3
Share premium		385.6	385.5	385.6
Hedge reserve		(16.7)	22.5	(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		104.9	63.5	103.6
<b>Total shareholders' deficit</b>		<b>(274.4)</b>	<b>(276.7)</b>	<b>(268.6)</b>

The notes on pages 10 to 19 form an integral part of this condensed consolidated interim financial information.

## Missouri Topco Limited

### Condensed consolidated cash flow statement

		<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
	Note	<b>£'m</b>	£'m	£'m
<b>Cash flows from operating activities</b>				
Cash generated from continuing operations	10	<b>14.1</b>	17.8	140.2
Interest paid		<b>(14.8)</b>	(6.0)	(30.2)
Taxation paid		<b>(2.7)</b>	(9.1)	(32.1)
Cash flows from operating activities (discontinued operations)		-	-	(1.8)
<b>Net cash generated from operating activities</b>		<b>(3.4)</b>	2.7	76.1
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		<b>(5.9)</b>	(6.4)	(22.7)
Proceeds from sale of property, plant and equipment		-	-	0.1
Purchases of intangible assets		<b>(1.3)</b>	(0.2)	(10.3)
Net cash received on sale of subsidiaries		-	-	10.0
Interest received		<b>0.1</b>	0.1	0.5
<b>Net cash used in investing activities</b>		<b>(7.1)</b>	(6.5)	(22.4)
<b>Cash flows from financing activities</b>				
Repayment of Senior loan facilities		<b>(231.0)</b>	-	(19.0)
Repayment of previous facilities		-	(259.9)	(259.9)
'A' share buy back		-	(233.2)	(233.2)
Warrant fees charge		-	(1.8)	(1.8)
Proceeds from borrowings		<b>250.0</b>	475.0	475.0
Fees associated with refinancing		<b>(14.9)</b>	(19.5)	(19.6)
Purchase of 'B' shares through the EBT		-	(12.0)	(12.0)
Share Premium associated with Flowering shares		-	0.1	0.1
<b>Net cash used in financing activities</b>		<b>4.1</b>	(51.3)	(70.4)
Net (decrease)/ increase in cash and cash equivalents		<b>(6.4)</b>	(55.1)	(16.7)
Cash and cash equivalents at the beginning of the period		<b>83.1</b>	99.8	99.8
<b>Cash and cash equivalents at the end of the period</b>		<b>76.7</b>	44.7	83.1

The notes on pages 10 to 19 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 28 February 2010	21.9	385.5	(774.3)	13.2	1.1	3.1	304.6	(44.9)
<b>Comprehensive income:</b>								
Profit for the period from continuing operations	-	-	-	-	-	-	3.5	3.5
Profit for the period from discontinued operations	-	-	-	-	-	-	0.2	0.2
<b>Total profit for the period</b>	-	-	-	-	-	-	3.7	3.7
<b>Other comprehensive income:</b>								
Cash flow hedges								
- fair value gains in the period	-	-	-	12.9	-	-	-	12.9
- transfers to inventory	-	-	-	(0.1)	-	-	-	(0.1)
- tax element of cash flow hedges	-	-	-	(3.5)	-	-	-	(3.5)
Total cash flow hedges net of tax	-	-	-	9.3	-	-	-	9.3
<b>Total other comprehensive income</b>	-	-	-	9.3	-	-	-	9.3
<b>Transactions with owners:</b>								
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	-	-	-	-	-	-	2.2	2.2
<b>Total transactions with owners</b>	(4.6)	-	-	-	4.6	-	(244.8)	(244.8)
As at 29 May 2010	17.3	385.5	(774.3)	22.5	5.7	3.1	63.5	(276.7)

## Missouri Topco Limited

### Condensed consolidated statement of changes in shareholders' equity

	Share capital £'m	Share premium £'m	Merger Reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Retained earnings £'m	Total reserves £'m
As at 27 February 2011	17.3	385.6	(774.3)	(9.6)	5.7	3.1	103.6	(268.6)
<b>Comprehensive income:</b>								
Profit for the period	-	-	-	-	-	-	0.8	<b>0.8</b>
<b>Total profit for the period</b>	-	-	-	-	-	-	0.8	<b>0.8</b>
<b>Other comprehensive income:</b>								
Cash flow hedges:								
- fair value gains in the period	-	-	-	(10.1)	-	-	-	<b>(10.1)</b>
- transfers to inventory	-	-	-	0.4	-	-	-	<b>0.4</b>
- tax element of cash flow hedges	-	-	-	2.6	-	-	-	<b>2.6</b>
Total cash flow hedges net of tax	-	-	-	(7.1)	-	-	-	<b>(7.1)</b>
<b>Total other comprehensive income</b>	-	-	-	(7.1)	-	-	-	<b>(7.1)</b>
<b>Transactions with owners:</b>								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	0.5	<b>0.5</b>
<b>Total transactions with owners</b>	-	-	-	-	-	-	0.5	<b>0.5</b>
<b>As at 28 May 2011</b>	<b>17.3</b>	<b>385.6</b>	<b>(774.3)</b>	<b>(16.7)</b>	<b>5.7</b>	<b>3.1</b>	<b>104.9</b>	<b>(274.4)</b>

# 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 19th July 2011.

### 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 standards and interpretations have had no material impact on the group's interim financial statements:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'
- IFRIC 17, 'Distribution of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS 1 (amendment), 'Presentation of financial statements'
- IAS 36 (amendment), 'Impairment of assets'
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'
- IFRS 9, 'Financial instruments', issued in November 2009
- Revised IAS 24 (revised), 'Related party disclosures'
- 'Classification of rights issues' (amendment to IAS 32)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14)

## Missouri Topco Limited

### Notes to the financial statements (continued)

#### 4. Operating profit

<b>Continuing operations</b>	<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
	<b>£'m</b>	£'m	£'m
<b>Revenue</b>	<b>268.1</b>	275.4	1,096.5
Cost of goods sold	<b>(145.3)</b>	(139.6)	(569.0)
Selling expenses	<b>(79.1)</b>	(79.1)	(314.4)
Distribution expenses	<b>(9.4)</b>	(9.9)	(37.6)
Total cost of sales	<b>(233.8)</b>	(228.6)	(921.0)
<b>Gross profit</b>	<b>34.3</b>	46.8	175.5
Administrative expenses – before exceptional items	<b>(13.7)</b>	(14.4)	(54.5)
Exceptional items (note 14)	<b>-</b>	(5.9)	(6.4)
Administrative expenses	<b>(13.7)</b>	(20.3)	(60.9)
<b>Operating profit</b>	<b>20.6</b>	26.5	114.6

## Missouri Topco Limited

### 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 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:

	<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
	<b>£'m</b>	£'m	£'m
Operating profit from continuing operations	<b>20.6</b>	26.5	114.6
Depreciation	<b>5.2</b>	6.2	25.3
Amortisation	<b>1.8</b>	1.8	7.3
Exceptional items	<b>-</b>	5.9	6.4
<b>EBITDA from continuing operations</b>	<b>27.6</b>	40.4	153.6
Rent expense	<b>23.3</b>	22.9	89.7
<b>EBITDAR from continuing operations</b>	<b>50.9</b>	63.3	243.3

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

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 28 May 2011 is charged at 35.4% (13 weeks ended 29 May 2010: 35.5%; 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 income for the 13 week period.

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

## Missouri Topco Limited

### Notes to the financial statements (continued)

#### 7. Financial liabilities – borrowings

	28 May 2011	29 May 2010	26 February 2011
	£'m	£'m	£'m
<b>Current</b>			
Senior Facilities (net of £nil of issue costs (May 2010: £2.0m; February 2011: £2.1m))	-	(7.4)	(15.9)
	-	(7.4)	(15.9)
<b>Non current</b>			
Senior Facilities (net of £nil of issue costs (May 2010: £9.0m; February 2011: £7.3m))	-	(231.6)	(205.7)
Senior notes (net of £6.7m of issue costs (May 2010: £8.0m; February 2011: £7.0m))	(218.3)	(217.0)	(218.0)
Senior secured notes (net of £9.9m of issue costs)	(240.1)	-	-
	(458.4)	(448.6)	(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 week period ended 28 May 2011 were 5.6% (13 weeks ended 29 May 2010: 6.8%; 52 weeks ended 26 February 2011: 5.6%).

During the 13 week period ended 28 May 2011 £8.0m (13 weeks ended 29 May 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 period, fees of £10.2m 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.

## Missouri Topco Limited

### Notes to the financial statements (continued)

#### 7. Financial liabilities – borrowings (continued)

##### Maturity of bank loans, senior facilities and senior notes

	28 May 2011	29 May 2010	26 February 2011
	£'m	£'m	£'m
Less than one year	-	9.4	18.0
One to five years	250.0	75.0	72.0
Five to ten years	225.0	390.6	366.0
	<b>475.0</b>	475.0	456.0
Issue costs	(16.6)	(19.0)	(16.4)
	<b>458.4</b>	456.0	439.6
Current	-	7.4	15.9
Non current	458.4	448.6	423.7
	<b>458.4</b>	456.0	439.6

##### Borrowing facilities

At 28 May 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.

	28 May 2011	29 May 2010	26 February 2011
	£'m	£'m	£'m
Letters of credit	1.7	2.3	0.9
Guarantees	8.6	6.4	8.6
Unused	39.7	41.3	40.5
<b>Total available</b>	<b>50.0</b>	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 28 May 2011 is £503.1m (29 May 2010: £369.6m; 26 February 2011: £448.6m).

The net fair value of losses as at 28 May 2011 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £23.8m (29 May 2010: gains of £33.8m; 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**

The group entered into interest rate swaps which were executed to partially hedge the group's interest rate exposure against unfavourable movements in LIBOR. The directors have not sought to apply hedge accounting under IAS39 to these derivatives, consequently the changes in their fair value at each period end has been 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 have an initial notional principal of £238.3m which amortises over the period of the swaps. The start dates were 28 August 2009 and the final maturity date is 31 March 2013. The weighted average fixed rate payable under the swaps is 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 have an initial notional amount of £198.4m which amortises over the period of the swaps. The contract start dates were 31 August 2010 and the final maturity date is 31 August 2012. The company pays three month LIBOR and receives 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 29 May 2010 was a £7.4m 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.



## Missouri Topco Limited

### Notes to the financial statements (continued)

#### 9. Provisions for other liabilities and charges

<b>Group</b>	<b>Onerous contracts £m</b>	
At 26 February 2011		4.4
Utilised in the period		(0.2)
<b>At 28 May 2011</b>		<b>4.2</b>
	<b>28 May 2011 £'m</b>	<b>29 May 2010 £'m</b>
Analysis of total provisions:		
Non-current	<b>3.5</b>	5.6
Current	<b>0.7</b>	1.0
	<b>4.2</b>	<b>6.6</b>

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.

## 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:

	<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
	<b>£'m</b>	£'m	£'m
<b>Cash generated from operations</b>			
Operating profit	<b>20.6</b>	26.7	114.6
Adjustments for:			
Depreciation	<b>5.2</b>	6.2	25.3
Amortisation of intangibles	<b>1.8</b>	1.8	7.3
Non cash exceptional items	-	1.0	(1.4)
Share based compensation charge	<b>0.5</b>	0.8	5.3
Hedge accounting	<b>(0.1)</b>	0.4	0.1
<b>Operating cash flows before movements in working capital</b>	<b>28.0</b>	36.9	151.2
Movements in working capital:			
(Increase)/decrease in inventories	<b>(14.6)</b>	(11.1)	(13.4)
(Increase)/decrease in trade and other receivables	<b>(3.1)</b>	0.5	(2.0)
Increase/ (decrease) in trade and other payables	<b>3.8</b>	(8.5)	4.4
<b>Net cash flows from operating activities</b>	<b>14.1</b>	17.8	140.2

## Missouri Topco Limited

### Notes to the financial statements (continued)

#### 11. Reconciliation of net debt

Net funds incorporate borrowings, less cash and cash equivalents.

	Net debt at 26 February 2011	Cash movements	Non cash movements	Net debt at 28 May 2011
	£'m	£'m	£'m	£'m
Cash and cash equivalents	83.1	(6.4)	-	<b>76.7</b>
Debt due within 1 year	(15.9)	15.9	-	-
Debt due after 1 year	(423.7)	(34.9)	0.2	<b>(458.4)</b>
	(439.6)	(19.0)	0.2	<b>(458.4)</b>
	(356.5)	(25.4)	0.2	<b>(381.7)</b>

#### 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 group has leased a building from a company associated with the Hargreaves family to house our London based ladies buying team. A small portion of the building was then leased to two companies associated with the Hargreaves family.

The rental paid in the 13 week period ending 28 May 2011 was £0.2m (13 weeks ended 29 May 2010: £0.2m; 52 weeks ended 26 February 2011: £0.7m). The rental income in the 13 week period ending 28 May 2011 was £37,250 (13 weeks ended 29 May 2010: £37,250; 52 weeks ended 26 February 2011: £0.2m).

## Missouri Topco Limited

### Notes to the financial statements (continued)

#### 14. Exceptional items

Exceptional items are comprised as follows:

	<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
	<b>£'m</b>	£'m	£'m
Restructuring costs	-	-	(0.9)
Onerous contract provision	-	0.3	1.9
Refinancing costs	-	(6.2)	(6.1)
Acceleration of IFRS 2 charge	-	-	(1.2)
Wolsey Limited disposal costs	-	-	(0.1)
<b>Exceptional items – Administrative expenses</b>	<b>-</b>	<b>(5.9)</b>	<b>(6.4)</b>
Refinancing costs	<b>(8.0)</b>	(11.3)	(11.3)
<b>Exceptional items – Finance costs</b>	<b>(8.0)</b>	<b>(11.3)</b>	<b>(11.3)</b>
<b>Total exceptional items</b>	<b>(8.0)</b>	<b>(17.2)</b>	<b>(17.7)</b>

#### Refinancing costs

In April 2011, the group completed a refinancing of existing Senior debt and issue of new Senior Secured notes (refer to note 7). £8.0m of refinancing costs have been expensed as exceptional items in the period within net finance costs. This £8.0m relates 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.

## Missouri Topco Limited

### Notes to the financial statements (continued)

#### 15. Discontinued operations

On 20<sup>th</sup> 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 is 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.

	<b>13 weeks ended 28 May 2011</b>	13 weeks ended 29 May 2010	52 weeks ended 26 February 2011
	<b>£'m</b>	£'m	£'m
Revenue	-	2.0	6.7
<b>Profit before taxation</b>	-	0.2	0.6
Taxation	-	-	(0.2)
<b>Profit for the period</b>	-	0.2	0.4
Loss on sale of Wolsey	-	-	(0.6)
<b>Profit/ (loss) for the period from discontinued operations</b>	-	0.2	(0.2)