

REGISTERED NUMBER: 0045618

MISSOURI TOPCO LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13 WEEKS ENDED 30 NOVEMBER 2019

Missouri Topco Limited

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Results of operations for the 13 weeks ended 30 November 2019

To aid the user of the accounts, the below summary reflects both the results for the period under IFRS 16 as reflected on the face of the primary statements, as well as the underlying business performance under the historic accounting standards (IAS17) to enable comparison with prior periods.

Revenue

Revenue increased by 1.1% to £311.7m in the 13 week period ended 30 November 2019 and increased by 4.9% to £877.2m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £308.3m; 39 week period ended 24 November 2018: £836.6m; 52 week period ended 23 February 2019: £1,103.9m). The change to IFRS 16 had no impact on revenue recognition.

Cost of sales and gross profit (including exceptional items)

Cost of sales including exceptional items increased by 1.3% to £265.2m in the 13 week period ended 30 November 2019 and increased by 5.2% to £765.6m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £261.8m; 39 week period ended 24 November 2018: £728.1m; 52 week period ended 23 February 2019: £975.5m). The underlying cost of sales including exceptional items under historic accounting standards increased by 3.9% to £272.1m in the 13 week period ended 30 November 2019 and increased 7.9% to £785.7m in the 40 week period to 30 November 2019.

Gross profit including exceptional items remained flat in the 13 week period ended 30 November 2019 and increased by 2.9% to £111.6m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £46.5m; 39 week period ended 24 November 2018: £108.5m; 52 week period ended 23 February 2019: £128.4m). Underlying gross profit including exceptional items under historical accounting standards decreased by 14.8% to £39.6m in the 13 week period ended 30 November 2019 and decreased by 15.7% to £91.5m in the 40 week period ended 30 November 2019.

Gross profit including exceptional items as a percentage of revenue decreased to 14.9% in the 13 weeks ended 30 November 2019 and decreased to 12.7% in the 40 weeks ended 30 November 2019 (13 week period ended 24 November 2018: 15.1%; 39 week period ended 24 November 2018: 13.0%; 52 week period ended 23 February 2019: 11.6%). Underlying gross profit including exceptional items as a percentage of revenue under historic accounting standards decreased to 12.7% in the 13 week period ended 30 November 2019 and decreased to 10.4% in the 40 week period ended 30 November 2019.

Administrative expenses (including exceptional items)

Administrative expenses (including exceptional items) have increased by £1.2m to £15.6m in the 13 week period ended 30 November 2019 and increased by £0.1m to £44.6m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £14.4m; 39 week period ended 24 November 2018: £44.5m; 52 week period ended 23 February 2019: £61.0m). Underlying administrative expenses (including exceptional items) were not affected by IFRS 16.

Exceptional items

Exceptional costs of £1.0m were incurred in the 13 week period ended 30 November 2019 and the 40 week period ended 30 November 2019 relating to cost of sales. In addition £0.9m was credited to administrative expenses within the income statement in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £nil; 39 week period ended 24 November 2018: £0.3m cost; 52 week period ended 23 February 2019: £1.5m cost).

Operating profit

Operating profit pre exceptional items decreased by 0.6% to £31.9m in the 13 week period ended 30 November 2019 and increased by 4.3% to £67.1m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £32.1m; 39 week period ended 24 November 2018: £64.3m; 52 week period ended 23 February 2019: £68.9m). Underlying operating profit pre exceptional items under historic accounting standards decreased by 22.1% to £25.0m in the 13 week period ended 30 November 2019 and decreased by 26.9% to £47.0m in the 40 week period ended 30 November 2019.

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Results of operations for the 13 weeks ended 30 November 2019 (continued)

Net finance costs (including exceptional items)

Net finance costs (including exceptional items) were £21.5m in the 13 week period ended 30 November 2019 and £66.5m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £9.4m; 39 week period ended 24 November 2018: £28.0m; 52 week period ended 23 February 2019: £37.3m). The impact of IFRS 16 on net finance costs is explained in more detail in note 2.

Taxation

The taxation credit in the 13 week period ended 30 November 2019 was £0.2m and in the 40 week period ended 30 November 2019 was £1.1m (13 week period ended 24 November 2018: £5.4m charge; 39 week period ended 24 November 2018: £8.3m charge; 52 week period ended 23 February 2019: £6.6m charge). Taxation in the 13 week period ended 30 November 2019 under IAS 17 was a £0.8m charge and in the 40 week period ended 30 November 2019 a £2.2m charge.

Profit/loss for the period

The profit in the 13 week period ended 30 November 2019 was £9.6m and the profit in the 40 week period ended 30 November 2019 was £1.6m (13 week period ended 24 November 2018: £17.3m profit; 39 week period ended 24 November 2018: £27.7m profit; 52 week period ended 23 February 2019: £23.5m profit). Underlying profit for the 13 week period ended 30 November 2019 under historic accounting standards was £13.8m and £15.7m profit in the 40 week period ended 30 November 2019.

Cash flow

Cash flows from operating activities increased by £15.1m to £33.9m in the 13 week period ended 30 November 2019 and increased by £56.3m to £117.8m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £18.8m; 39 week period ended 24 November 2018: £61.5m; 52 week period ended 23 February 2019: £61.1m). Underlying cash flows from operating activities under historic accounting standards decreased by £8.2m to £10.6m in the 13 week period ended 30 November 2019 and decreased by £22.5m to £39.0m in the 40 week period ended 30 November 2019.

Net cash used in investing activities was £10.8m in the 13 week period ended 30 November 2019 and £38.1m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £9.1m; 39 week period ended 24 November 2018: £32.5m; 52 week period ended 24 February 2018: £50.8m).

Net cash used in financing activities was £23.3m in the 13 week period ended 30 November 2019 and £79.1m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £nil; 39 week period ended 24 November 2018: £nil; 52 week period ended 23 February 2019: £nil). Underlying net cash used in financing activities under historic accounting standards was £nil in the 13 week period ended 30 November 2019 and £0.3m in the 40 week period ended 30 November 2019.

Cash decreased by £0.2m in the 13 week period ended 30 November 2019 and increased by £0.6m in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £9.7m increase; 39 week period ended 24 November 2018: £29.0m increase; 52 weeks ended 23 February 2019: £10.3m increase). The cash balance as at 30 November 2019 was £73.1m.

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Condensed consolidated income statement

		13 weeks ended 30 November 2019 under IFRS 16	13 weeks ended 24 November 2018 under IAS17	40 weeks ended 30 November 2019 under IFRS 16	39 weeks ended 24 November 2018 under IAS 17	52 weeks ended 23 February 2019 Under IAS 17
	Note	£'m	£'m	£'m	£'m	£'m
Revenue	3	311.7	308.3	877.2	836.6	1,103.9
Cost of sales (including exceptional items)	3	(265.2)	(261.8)	(765.6)	(728.1)	(975.5)
Gross profit (including exceptional items)	3	46.5	46.5	111.6	108.5	128.4
Administrative expenses (including exceptional items)	3	(15.6)	(14.4)	(44.6)	(44.5)	(61.0)
Operating profit (including exceptional items)	3	30.9	32.1	67.0	64.0	67.4
Operating profit pre exceptional items		31.9	32.1	67.1	64.3	68.9
Exceptional Items – Cost of sales	13	(1.0)	-	(1.0)	-	-
Exceptional items – Administrative expenses	13	-	-	0.9	(0.3)	(1.5)
Operating profit		30.9	32.1	67.0	64.0	67.4
Finance costs		(21.6)	(9.5)	(66.9)	(28.4)	(38.0)
Finance income		0.1	0.1	0.4	0.4	0.7
Net finance costs		(21.5)	(9.4)	(66.5)	(28.0)	(37.3)
Profit before income tax and exceptional items		10.4	22.7	0.6	36.3	31.6
Total exceptional items	13	(1.0)	-	(0.1)	(0.3)	(1.5)
Profit before income tax		9.4	22.7	0.5	36.0	30.1
Income tax	5	0.2	(5.4)	1.1	(8.3)	(6.6)
Profit for the period		9.6	17.3	1.6	27.7	23.5
Profit for the period		9.6	17.3	1.6	27.7	23.5

The notes on pages 9 to 21 form an integral part of this condensed consolidated interim financial information.

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Statement of comprehensive income

	13 weeks ended 30 November 2019 under IFRS 16 £'m	13 weeks ended 24 November 2018 under IAS 17 £'m	40 weeks ended 30 November 2019 under IFRS 16 £'m	39 weeks ended 24 November 2018 under IAS 17 £'m	52 weeks ended 23 February 2019 under IAS 17 £'m
Profit for the period	9.6	17.3	1.6	27.7	23.5
Other comprehensive income/(expenditure):					
Cash flow hedges	(31.0)	3.6	3.7	58.8	50.7
Income tax element of cash flow hedges	5.6	(0.6)	(0.6)	(11.1)	(9.6)
Total other comprehensive income, net of income tax	(25.4)	3.0	3.1	47.7	41.1
Total comprehensive income	(15.8)	20.3	4.7	75.4	64.6

The notes on pages 9 to 21 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated balance sheet

	Note	30 November 2019 under IFRS 16 £'m	24 November 2018 under IAS 17 £'m	23 February 2019 under IAS 17 £'m
Assets				
Property, plant and equipment		220.7	209.8	217.7
Right-of-use assets	2	471.5	-	-
Intangible assets		47.8	39.4	40.5
Financial assets – derivative financial instruments	7	1.8	7.5	3.6
Total non-current assets		741.8	256.7	261.8
Inventories – goods for resale		158.2	149.5	133.9
Trade and other receivables		29.8	36.5	29.7
Financial assets – derivative financial instruments	7	12.9	7.9	5.6
Cash and cash equivalents		73.1	91.2	72.5
Total current assets		274.0	285.1	241.7
Total assets		1,015.8	541.8	503.5
Liabilities				
Financial Liabilities – derivative financial instruments	7	(1.7)	(0.3)	(1.4)
Lease liabilities	2	(100.1)	-	-
Trade and other payables		(195.9)	(200.1)	(174.3)
Current income tax liabilities		(0.3)	(6.4)	(2.7)
Provisions for other liabilities and charges	8	-	(0.5)	(0.5)
Total current liabilities		(298.0)	(207.3)	(178.9)
Financial liabilities – borrowings	6	(475.9)	(474.7)	(475.0)
Lease liabilities	2	(429.6)	-	-
Financial liabilities – derivative financial instruments	7	(0.9)	-	(0.4)
Trade and other payables		-	(39.7)	(41.1)
Deferred income tax liabilities		(3.9)	(5.8)	(4.6)
Provisions for other liabilities and charges	8	-	(0.8)	(0.7)
Total non-current liabilities		(910.3)	(521.0)	(521.8)
Total liabilities		(1,208.3)	(728.3)	(700.7)
Net liabilities		(192.5)	(186.5)	(197.2)
Shareholders' deficit				
Share capital		17.3	17.3	17.3
Share premium		385.6	385.6	385.6
Merger reserve		(774.3)	(774.3)	(774.3)
Hedge reserve		8.2	11.7	5.1
Capital redemption reserve		5.7	5.7	5.7
Warrant reserve		3.1	3.1	3.1
Retained earnings		161.9	164.4	160.3
Total shareholders' deficit		(192.5)	(186.5)	(197.2)

The notes on pages 9 to 21 form an integral part of this condensed consolidated interim financial information.

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Notes to the financial statements

Condensed consolidated cash flow statement

	Note	13 weeks ended 30 November 2019 under IFRS 16 £'m	13 weeks ended 24 November 2018 under IAS 17 £'m	40 weeks ended 30 November 2019 under IFRS 16 £'m	39 weeks ended 24 November 2018 under IAS 17 £'m	52 weeks ended 23 February 2019 under IAS 17 £'m
Cash flows from operating activities						
Cash generated	9	34.3	20.7	138.9	84.2	103.7
Interest paid		(0.2)	(0.2)	(18.6)	(19.1)	(37.2)
Income tax paid		(0.2)	(1.7)	(2.5)	(3.6)	(5.4)
Net cash generated from / (used in) operating activities		33.9	18.8	117.8	61.5	61.1
Cash flows from investing activities						
Purchases of property, plant and equipment		(5.3)	(5.4)	(25.3)	(21.9)	(33.8)
Purchases of intangible assets		(5.6)	(3.8)	(13.2)	(11.0)	(17.7)
Interest received		0.1	0.1	0.4	0.4	0.7
Net cash used in investing activities		(10.8)	(9.1)	(38.1)	(32.5)	(50.8)
Cash flows from financing activities						
Repayment of lease liabilities		(23.3)	-	(78.8)	-	-
Repurchase of own shares		-	-	(0.3)	-	-
Net cash used in financing activities		(23.3)	-	(79.1)	-	-
Net (decrease)/ increase in cash and cash equivalents		(0.2)	9.7	0.6	29.0	10.3
Cash and cash equivalents at the beginning of the period		73.3	81.5	72.5	62.2	62.2
Cash and cash equivalents at the end of the period		73.1	91.2	73.1	91.2	72.5

The notes on pages 9 to 21 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated statement of changes in shareholders' equity

Group	Share capital £'m	Share premium £'m	Merger reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Retained earnings £'m	Total equity £'m
As at 25 February 2018	17.3	385.6	(774.3)	(36.0)	5.7	3.1	137.4	(261.2)
Comprehensive income								
Profit for the period	-	-	-	-	-	-	27.7	27.7
Total profit for the period	-	-	-	-	-	-	27.7	27.7
Other comprehensive income								
Cash flow hedges								
- fair value gain in the period	-	-	-	59.8	-	-	-	59.8
- transfers to inventory	-	-	-	(1.0)	-	-	-	(1.0)
- tax element of cash flow hedges	-	-	-	(11.1)	-	-	-	(11.1)
Total cash flow hedges, net of tax	-	-	-	47.7	-	-	-	47.7
Total other comprehensive income, net of tax	-	-	-	47.7	-	-	27.7	75.4
Transactions with owners								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	(0.7)	(0.7)
Total transactions with owners	-	-	-	-	-	-	(0.7)	(0.7)
As at 24 November 2018	17.3	385.6	(774.3)	11.7	5.7	3.1	164.4	(186.5)

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Condensed consolidated statement of changes in shareholders' equity (continued)

Group	Share capital £'m	Share premium £'m	Merger reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Retained earnings £'m	Total equity £'m
As at 24 February 2019	17.3	385.6	(774.3)	5.1	5.7	3.1	160.3	(197.2)
Comprehensive income								
Profit for the period	-	-	-	-	-	-	1.6	1.6
Total profit for the period	-	-	-	-	-	-	1.6	1.6
Other comprehensive income								
Cash flow hedges								
- fair value gain in the period	-	-	-	4.5	-	-	-	4.5
- transfers to inventory	-	-	-	(0.8)	-	-	-	(0.8)
- tax element of cash flow hedges	-	-	-	(0.6)	-	-	-	(0.6)
Total cash flow hedges, net of tax	-	-	-	3.1	-	-	-	3.1
Total other comprehensive income, net of tax	-	-	-	3.1	-	-	-	3.1
Transactions with owners								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	0.3	0.3
Repurchase of own shares	-	-	-	-	-	-	(0.3)	(0.3)
Total transactions with owners	-	-	-	-	-	-	-	-
As at 30 November 2019	17.3	385.6	(774.3)	8.2	5.7	3.1	161.9	(192.5)

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Notes to the financial statements

1. General information

The Company is incorporated and domiciled in Guernsey, all subsidiary companies are incorporated and domiciled in the UK. The Company is limited by shares. The financial statements are presented in sterling, which is the Group's functional and presentational currency. The Group's principal place of business is Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

These condensed consolidated interim financial statements were approved for issue on 20 January 2020.

2. Summary of accounting policies and new standards

Basis of preparation

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements (the policy for recognising and measuring income taxes in the period is described in note 5).

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the 53 weeks ended 29 February 2020.

IFRS 16 'Leases' impact

The Group has initially adopted IFRS 16 Leases from 24 February 2019. Amendments to IAS 12 are also effective from 24th February 2019 however this does not have a material impact on the Group's financial statements.

The group has applied IFRS 16 using the modified B approach. Accordingly, the comparative information presented for the periods ending 24 November 2018 and 23 February 2019 have not been restated. The details of the changes in accounting policies are disclosed below.

Lessee and lessor treatment

The Group leases many assets including retail stores, distribution centres, vehicles, and other equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

The Group sub-leases some of its properties. Under IFRS 16 the sub-lease contracts are classified as gross investments within debtors.

Transition and significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate adjusted for market related data.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in the expectation on whether a termination option will be exercised.

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Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

Income statement - impact for the period

As a result of applying IFRS 16, during the period the group recognised £18.4m of depreciation on right-of-use assets and £12.1m of interest on lease liabilities. Under historic accounting standards (IAS 17) the group would have recognised operating lease rental charges of £25.3m.

	13 weeks ended 30 November 2019 under IFRS 16	IAS 17 rent charge	IFRS 16 depreciation	IFRS 16 interest charge	13 weeks ended 30 November 2019 under IAS 17
	£'m	£'m	£'m	£'m	£'m
Total Revenue	311.7	-	-	-	311.7
Cost of goods sold - pre exceptional	(165.7)	-	-	-	(165.7)
Selling expenses - pre exceptional items	(85.8)	(24.2)	17.2	-	(92.8)
Distribution expenses – pre exceptional items	(12.7)	(1.0)	1.1	-	(12.6)
Exceptional items – distribution costs	(1.0)	-	-	-	(1.0)
Total cost of sales	(265.2)	(25.2)	18.3	-	(272.1)
Gross profit – including exceptional	46.5	(25.2)	18.3	-	39.6
Administrative expenses - pre Exceptional items- administrative	(15.6)	(0.1)	0.1	-	(15.6)
Administrative expenses	(15.6)	(0.1)	0.1	-	(15.6)
Operating profit	30.9	(25.3)	18.4	-	24.0
Finance costs	(21.6)	-	-	12.1	(9.5)
Finance income	0.1	-	-	-	0.1
Net finance costs	(21.5)	-	-	12.1	(9.4)
Profit before tax and exceptional items	10.4	(25.3)	18.4	12.1	15.6
Total exceptional items	(1.0)	-	-	-	(1.0)
Profit before income tax	9.4	(25.3)	18.4	12.1	14.6
Tax (charge)/credit	0.2	4.8	(3.5)	(2.3)	(0.8)
Profit after tax	9.6	(20.5)	14.9	9.8	13.8

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Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

Income statement - impact year to date

As a result of applying IFRS 16, during the first 40 weeks of the year, the group recognised £57.1m of depreciation on right-of-use assets and £37.5m of interest on lease liabilities. Under historic accounting standards (IAS 17) the group would have recognised operating lease rental charges of £77.2m.

	40 weeks ended 30 November 2019 under IFRS 16	IAS 17 rent charge	IFRS 16 depreciation	IFRS 16 interest charge	40 weeks ended 30 November 2019 under IAS 17
	£'m	£'m	£'m	£'m	£'m
Total Revenue	877.2	-	-	-	877.2
Cost of goods sold - pre exceptional items	(473.0)	-	-	-	(473.0)
Selling expenses - pre exceptional items	(253.7)	(73.7)	53.5	-	(273.9)
Distribution expenses – pre exceptional items	(37.9)	(3.2)	3.3	-	(37.8)
Exceptional items – distribution expenses	(1.0)	-	-	-	(1.0)
Total cost of sales	(765.6)	(76.9)	56.8	-	(785.7)
Gross profit – including exceptional	111.6	(76.9)	56.8	-	91.5
Administrative expenses - pre exceptional	(45.5)	(0.3)	0.3	-	(45.5)
Exceptional items- administrative income	0.9	-	-	-	0.9
Administrative expenses	(44.6)	(0.3)	0.3	-	(44.6)
Operating profit	67.0	(77.2)	57.1	-	46.9
Finance costs	(66.9)	-	-	37.5	(29.4)
Finance income	0.4	-	-	-	0.4
Net finance costs	(66.5)	-	-	37.5	(29.0)
Profit before tax and exceptional items	0.6	(77.2)	57.1	37.5	18.0
Total exceptional items	(0.1)	-	-	-	(0.1)
Profit before income tax	0.5	(77.2)	57.1	37.5	17.9
Tax (charge)/credit	1.1	14.6	(10.8)	(7.1)	(2.2)
Profit after tax	1.6	(62.6)	46.3	30.4	15.7

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Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

Balance sheet - impact for the period

The balance sheet under IFRS 16 as at 30 November 2019, as shown on page 5 of these financial statements includes right-of-use assets of £471.5m and lease liabilities of £529.7m. The impact that would have been created by continuing to recognise the balance sheet under the historic accounting conventions (IAS 17) is reflected below:

	IFRS 16 30 November 2019 £'m	Transitional balances £'m	Impact in prior periods £'m	Impact in Period £'m	IAS 17 30 November 2019 £'m
Assets					
Right-of-use assets	471.5	(513.7)	43.3	(1.1)	-
Other non-current assets	270.3	-	-	-	270.3
Total non-current assets	741.8	(513.7)	43.3	(1.1)	270.3
Trade and other receivables	29.8	5.3	2.7	(2.2)	35.6
Other current assets	244.2	-	0.8	0.5	245.5
Total current assets	274.0	5.3	3.5	(1.7)	281.1
Total assets	1,015.8	(508.4)	46.8	(2.8)	551.4
Liabilities					
Trade and other payables	(195.9)	(6.6)	1.4	(0.8)	(201.9)
Lease liabilities	(100.1)	2.2	98.4	(0.5)	-
Other current liabilities	(2.0)	-	(1.4)	(1.0)	(4.4)
Total current liabilities	(298.0)	(4.4)	98.4	(2.3)	(206.3)
Lease liabilities	(429.6)	553.9	(133.7)	9.4	-
Other non-current liabilities	(480.7)	(41.1)	(1.3)	(0.1)	(523.2)
Total non-current liabilities	(910.3)	512.8	(135.0)	9.3	(523.2)
Total liabilities	(1,208.3)	508.4	(36.6)	7.0	(729.5)
Net liabilities	(192.5)	-	10.2	4.2	(178.1)
Shareholders' deficit					
Total shareholders' deficit	(192.5)	-	10.2	4.2	(178.1)

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Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

Cash flow - impact for the period

Although the underlying cash balance is unchanged under IFRS 16 the impact from changing the classification of lease costs significantly increases cash flows from operating activities, offsetting this change with an increase in cash outflows from financing activities.

	13 weeks ended 30 November 2019 Under IFRS 16 £'m	Impact of lease classification £'m	13 weeks ended 30 November 2019 Under IAS 17 £'m
Cash generated from operations			
Operating profit	30.9	(6.9)	24.0
Adjustments for:			
Depreciation	24.8	(18.4)	6.4
Amortisation of intangibles	2.3	-	2.3
Share based compensation charge	0.1	-	0.1
Hedge accounting	(0.1)	-	(0.1)
Operating cash flows before movements in working capital	58.0	(25.3)	32.7
Movements in working capital:			
Decrease/(increase) in inventories	(15.4)	(0.5)	(15.9)
(Increase)/ Decrease in trade and other receivables	(8.8)	2.2	(6.6)
(Decrease)/increase in trade and other payables	0.5	0.3	0.8
Net cash flows from operating activities	34.3	(23.3)	11.0
Interest paid	(0.2)	-	(0.2)
Income tax paid	(0.2)	-	(0.2)
Net cash generated from/(used in) operating activities	33.9	(23.3)	10.6
Cash flows from investing activities			
Purchases of property, plant and equipment	(5.3)	-	(5.3)
Purchases of intangible assets	(5.6)	-	(5.6)
Interest received	0.1	-	0.1
Net cash used in investing activities	(10.8)	-	(10.8)
Cash flows from financing activities			
Repayment of lease liabilities	(23.3)	23.3	-
Repurchase of own shares	-	-	-
Net cash used in financing activities	(23.3)	23.3	-
Net decrease in cash and cash equivalents	(0.2)	-	(0.2)
Cash and cash equivalents at the beginning of the period	73.3	-	73.3
Cash and cash equivalents at the end of the period	73.1	-	73.1

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Notes to the financial statements (continued)

2. Summary of accounting policies and new standards (continued)

Cash flow – Impact year to date

	40 weeks ended 30 November 2019 Under IFRS 16 £'m	Impact of lease classification £'m	40 weeks ended 30 November 2019 Under IAS 17 £'m
Cash generated from operations			
Operating profit	67.0	(20.1)	46.9
Adjustments for:			
Depreciation	77.4	(57.1)	20.3
Amortisation of intangibles	7.7	-	7.7
Share based compensation charge	0.3	-	0.3
Hedge accounting	(0.1)	-	(0.1)
Operating cash flows before movements in working capital	152.3	(77.2)	75.1
Movements in working capital:			
Decrease/(increase) in inventories	(24.6)	(1.3)	(25.9)
(Increase)/ decrease in trade and other receivables	(10.3)	(0.9)	(11.2)
(Decrease)/increase in trade and other payables	21.5	0.6	22.1
Net cash flows from operating activities	138.9	(78.8)	60.1
Interest paid	(18.6)	-	(18.6)
Income tax paid	(2.5)	-	(2.5)
Net cash generated from/(used in) operating activities	117.8	(78.8)	39.0
Cash flows from investing activities			
Purchases of property, plant and equipment	(25.3)	-	(25.3)
Purchases of intangible assets	(13.2)	-	(13.2)
Interest received	0.4	-	0.4
Net cash used in investing activities	(38.1)	-	(38.1)
Cash flows from financing activities			
Repayment of lease liabilities	(78.8)	78.8	-
Repurchase of own shares	(0.3)	-	(0.3)
Net cash used in financing activities	(79.1)	78.8	(0.3)
Net decrease in cash and cash equivalents	0.6	-	0.6
Cash and cash equivalents at the beginning of the period	72.5	-	72.5
Cash and cash equivalents at the end of the period	73.1	-	73.1

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Notes to the financial statements (continued)

3. Operating profit

	13 weeks ended 30 November 2019 under IFRS 16	13 weeks ended 24 November 2018 under IAS 17	40 weeks ended 30 November 2019 under IFRS 16	39 weeks ended 24 November 2018 under IAS 17	52 weeks ended 23 February 2019 under IAS 17
	£'m	£'m	£'m	£'m	£'m
Total Revenue	311.7	308.3	877.2	836.6	1,103.9
Cost of goods sold	(165.7)	(155.3)	(473.0)	(426.8)	(576.1)
Selling expenses	(85.8)	(93.2)	(253.7)	(265.3)	(352.3)
Distribution expenses – pre exceptional	(12.7)	(13.3)	(37.9)	(36.0)	(47.1)
Exceptional items – Distribution expenses	(1.0)	-	(1.0)	-	-
Total cost of sales	(265.2)	(261.8)	(765.6)	(728.1)	(975.5)
Gross profit	46.5	46.5	111.6	108.5	128.4
Administrative expenses - pre exceptional	(15.6)	(14.4)	(45.5)	(44.2)	(59.5)
Exceptional items- administrative income/ (expenses)	-	-	0.9	(0.3)	(1.5)
Administrative expenses	(15.6)	(14.4)	(44.6)	(44.5)	(61.0)
Operating profit	30.9	32.1	67.0	64.0	67.4

Further details of exceptional items are given in note 13.

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, and online.

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 30 November 2019 under IFRS 16	13 weeks ended 24 November 2018 under IAS 17	40 weeks ended 30 November 2019 under IFRS 16	39 weeks ended 24 November 2018 under IAS 17	52 weeks ended 23 February 2019 under IAS 17
	£'m	£'m	£'m	£'m	£'m
Operating profit	30.9	32.1	67.0	64.0	67.4
Depreciation and amortisation	27.1	7.9	85.1	23.3	33.5
Exceptional items	1.0	-	0.1	0.3	1.5
EBITDA pre exceptionals	59.0	40.0	152.2	87.6	102.4

Reconciliation to IAS 17 EBITDA

EBITDA pre exceptionals under IFRS 16	59.0		152.2		
Increase in cost of sales	(25.2)		(76.9)		
Increase in administrative expenses	(0.1)		(0.3)		
EBITDA pre exceptionals under IAS 17	33.7	40.0	75.0	87.6	102.4

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.

Missouri Topco Limited

Notes to the financial statements (continued)

5. Income tax

Income tax for the 13 week period ended 30 November 2019 is credited at 2.1% and for the 40 week period ended 30 November 2019 credited at 220% (13 weeks ended 24 November 2018: 23.8%; 39 weeks ended November 2018: 23.1%, 52 weeks ended 23 February 2019: 21.9%) applied to the profit for the 13 week period.

The effective annual income tax credit of 9.9% is lower than the standard rate of corporation tax in the UK of 19.0% at the end of November 2019 (November 2018: 19.0%, February 2019: 19.0%). The key reconciling items relate to non-deductible expenses. The rate of corporation tax is based on a weighted average rate. A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

6. Financial liabilities – borrowings

	30 November 2019	24 November 2018	23 February 2019
	£'m	£'m	£'m
Non-current			
6.75% First Lien Secured Notes (net of £2.9m issue costs (November 2018: £3.8m; February 2019 £3.6m)) maturity date 2023	(347.1)	(346.2)	(346.4)
9.5% Second Lien Secured Notes (net of £1.2m issue costs (November 2018: £1.5m; February 2019 £1.4m)) maturity date 2024	(128.8)	(128.5)	(128.6)
	(475.9)	(474.7)	(475.0)

Borrowings are all denominated in sterling at 30 November 2019. The Group had no short-term borrowings during any of the reported periods. Issue costs of £6.2m were incurred in relation to the First Lien Secured Notes and Second Lien Secured Notes and are being amortised over the terms of the facilities.

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

We may from time to time seek to retire or purchase our outstanding debt through cash purchases in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. In the 52 week period ending 24 February 2018 the Group issued £350m First Lien secured notes due 2023 and £130m Second Lien unsecured notes due 2024.

Missouri Topco Limited

Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

Maturity of Secured Notes

	30 November 2019 £'m	24 November 2018 £'m	23 February 2019 £'m
Less than one year	-	-	-
One to five years	480.0	350.0	480.0
Five to ten years	-	130.0	-
	480.0	480.0	480.0
Unamortised issue costs	(4.1)	(5.3)	(5.0)
	475.9	474.7	475.0
Current	-	-	-
Non-current	475.9	474.7	475.0
	475.9	474.7	475.0

Borrowing facilities

At 30 November 2019 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.

	30 November 2019 £'m	24 November 2018 £'m	23 February 2019 £'m
Letters of credit	2.2	3.0	2.3
Guarantees	8.2	8.3	8.6
Unused	39.6	38.7	39.1
Total available	50.0	50.0	50.0

An unlimited guarantee under a composite accounting agreement operates for all Group company bank accounts. Group bank facilities are secured by fixed and floating charges on the assets of the guarantor group. 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 30 November 2019 is £494.7m (24 November 2018: £529.6m; 23 February 2019: £508.2m).

The net fair value of gains as at 30 November 2019 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases is £12.1m (24 November 2018: gains of £15.1m; 23 February 2019: gains of £7.5m). 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 23 February 2019	(1.2)
Utilised in the period	-
Transferred to lease liabilities under IFRS 16	1.2
At 30 November 2019	-

	30 November 2019 £'m	24 November 2018 £'m	23 February 2019 £'m
Analysis of total provisions:			
Non-current	-	(0.8)	(0.7)
Current	-	(0.5)	(0.5)
	-	(1.3)	(1.2)

During a previous period a lease previously assigned to another retailer was returned to the Company in 2009 on privity of contract after they entered administration. A provision was created at that time to recognise that the lease was onerous and this was treated as exceptional in nature and is being released over the remaining life of the lease.

9. Cash flow from operating activities

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

	13 weeks ended 30 November 2019 £'m	13 weeks ended 24 November 2018 £'m	40 weeks ended 30 November 2019 £'m	39 weeks ended 24 November r 2018 £'m	52 weeks ended 23 February 2019 £'m
Cash generated from operations					
Operating profit	30.9	32.1	67.0	64.0	67.4
Adjustments for:					
Depreciation	24.8	6.0	77.4	17.6	23.9
Amortisation of intangibles	2.3	1.9	7.7	5.7	9.6
Non cash exceptional items	-	-	-	-	(0.1)
Share based compensation charge	0.1	(0.9)	0.3	(0.7)	(0.6)
Hedge accounting	(0.1)	0.2	(0.1)	0.2	0.1
Operating cash flows before movements in working capital	58.0	39.3	152.3	86.8	100.3
Movements in working capital:					
Decrease/(increase) in inventories	(15.4)	(14.0)	(24.6)	(26.0)	(11.8)
Decrease in trade and other receivables	(8.8)	(7.0)	(10.3)	(7.1)	1.8
(Decrease)/increase in trade and other payables	0.5	2.4	21.5	30.5	13.4
Net cash flows from operating activities	34.3	20.7	138.9	84.2	103.7

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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 23 February 2019	Cash movements	Non cash movements	Net debt at 30 November 2019
	£'m	£'m	£'m	£'m
Cash and cash equivalents	72.5	0.6	-	73.1
Debt due after 1 year	(475.0)	-	(0.9)	(475.9)
	(402.5)	0.6	(0.9)	(402.8)

11. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Group bank facilities as disclosed in note 6 are secured by fixed and floating charges over the assets of the guarantor group. Notes in issue as disclosed in note 6 are guaranteed by the assets of the guarantor group.

12. Related party transactions

The Group purchased from and provided IT services to companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 30 November 2019 was £0.8m and in the 40 week period ended 30 November 2019 was £2.4m (13 weeks ending 24 November 2018: £0.7m; 39 weeks ending 24 November 2018: £2.0m; 52 weeks ended 23 February 2019: £2.8m) of which £0.3m was outstanding at 30 November 2019 (24 November 2018: £0.2m; 23 February 2019: 0.2m).

The Group purchased £nil clothing for resale from companies associated with the Hargreaves family during the 13 week period ended 30 November 2019 and £2.6m in the 40 week period to 30 November 2019 (13 weeks ending 24 November 2018: £1.0m; 39 weeks ended 24 November 2018: £2.7m; 52 weeks ended 23 February 2019: £4.0m) of which £nil was outstanding at 30 November 2019 (24 November 2018: £0.4m; 23 February 2019: £0.5m).

The Group used the clothing design services of companies associated with the Hargreaves family. The expenditure incurred during the 13 week period ended 30 November 2019 was £0.1m and in the 40 weeks ended 30 November 2019 £0.2m (13 weeks ending 24 November 2018: £0.4m; 39 weeks ended 24 November 2018: £0.8m; 52 weeks ended 23 February 2019: £0.8m) of which £nil was outstanding at 30 November 2019 (24 November 2018: £0.2m outstanding; 23 February 2019: £0.1m was outstanding).

During the 13 week period ended 30 November 2019 a member of the Hargreaves family was paid £nil and in the 40 week period ended 30 November 2019 £0.1m (13 weeks ending 24 November 2018: £nil; 39 weeks ending 24 November 2018: £0.1m 52 weeks ended 23 February 2019: £0.2m).

The Group incurred costs relating to the Hargreaves family and associated companies. The expenditure incurred during the 13 week period ended 30 November 2019 was £0.2m and in the 40 week period ended 30 November 2019 £0.6m (13 weeks ending 24 November 2018: £nil; 39 weeks to 24 November 2018: £0.2m; 52 weeks ended 23 February 2019: £0.5m) of which £0.3m was outstanding at 30 November 2019 (24 November 2018: £0.2m, 23 February 2019: £0.1m).

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Notes to the financial statements (continued)

13. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 30 November 2019 £'m	13 weeks ended 24 November 2018 £'m	40 weeks ended 30 November 2019 £'m	39 weeks ended 24 November 2018 £'m	52 weeks ended 23 February 2019 £'m
Industrial action costs	(1.0)	-	(1.0)	-	-
Exceptional items – cost of sales	(1.0)	-	(1.0)	-	-
Restructuring costs	-	-	-	(0.3)	(1.5)
Other income	-	-	0.9	-	-
Exceptional items - administrative expenses	-	-	0.9	(0.3)	(1.5)
Finance Expense	-	-	-	-	-
Exceptional items – Finance Income	-	-	-	-	-
Total exceptional items	(1.0)	-	(0.1)	(0.3)	(1.5)

Industrial action costs

£1.0m of industrial action costs were incurred during the 13 weeks period ended 30 November 2019 and in the 40 week period ended 30 November 2019 (13 week period ended 24 November 2018: £nil 39 week period ended 24 November 2018: £nil; 52 week period ended 23 February 2019: £nil)

Restructuring costs

£nil restructuring costs were incurred during the 13 week period ended 30 November 2019 and in the 40 week period ending 30 November 2019 (13 week period ended 24 November 2018: £nil 39 week period ended 24 November 2018: £0.3m; 52 week period ended 23 February 2019: £1.5m). Within the 52 week period ended 23 February 2019, restructuring costs of £1.6m were partially offset by a £0.1m credit in relation to a true-up of actual costs relating to an onerous contract.

Other income

In the 40 week period ended 30 November 2019 the group recognised £0.9m other income relating to a historic supplier refund.