

REGISTERED NUMBER: 00045618

MISSOURI TOPCO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 24 FEBRUARY 2018

MISSOURI TOPCO LIMITED

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MISSOURI TOPCO LIMITED

DIRECTORS AND ADVISERS

Directors

A Leighton (Resigned 30 April 2018)

J N Mills

J J Hargreaves

S Hill

S Quigley (Appointed 18 November 2016, resigned 25 April 2017)

G Pateras (Appointed 7 August 2017)

Company Secretary

J N Mills

Registered Office

1st Floor

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Le Bordage

St Peter Port

Guernsey

GY1 1DB

Independent Auditor

KPMG LLP

Statutory Auditor

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Manchester

M2 3AE

Solicitors

DLA Piper LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3DL

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GY1 2PF

Banker

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King Street

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MISSOURI TOPCO LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018

The directors present their annual strategic report and the audited financial statements for the 52 weeks ended 24 February 2018.

Overview

The Group continued to deliver improvements to trading performance in the period to 24 February 2018. In the context of a challenging market, the Group achieved EBITDA before exceptional items of £104.5m, which is growth of 35.7% (2017: £77.0m). See note 8 to the financial statements for EBITDA reconciliation to the statutory results.

Business Review

Revenue before exceptional items for the 52 weeks ended 24 February 2018 was £1,063.0m (2017: £1,037.3m). There was continued focus on maintaining a profitable balance between growth in full priced sales mix and effectively executing promotional sales during key periods. Investment in online functionality and the ongoing store refurbishment programme have contributed to growth across both channels. Coupled with targeted range extensions, this has resulted in the delivery of a strong performance in a challenging market.

Gross Profit before exceptional items was £136.0m (2017: £111.6m). The Group's approach of managing a tight buy, as well as focussing on full priced sales, continued to reduce the level of discounting and markdown costs. Despite currency headwinds, product margins remained positive due to strategic work with suppliers and cost price initiatives. Distribution costs, including wages, decreased in the period due to continued efficiency and productivity savings. Selling costs increased due to wage rate inflation, partially offset by reductions in IT costs and more cost effective digital marketing.

Administrative expenses, before exceptional items, were £62.1m (2017: £63.7m). During the year savings were delivered from the integration of the Matalan Direct business, re-basing of the IT outsource contract, and rent savings following the acquisition of the Head Office long-term lease. These were partially offset by non-recurring bonus costs and increased asset depreciation charges.

Exceptional items included in operating profit total £1.8m of administrative expenses (2017: £1.8m). Refer to note 29 to the financial statements.

Operating profit, before exceptional items, was £73.9m (2017: £47.9m).

Net finance costs before exceptional items were £37.3m (2017: £38.7m), refer to note 5 of the financial statements. Exceptional finance expense was £14.8m (2017: £2.5m income), following the redemption and full settlement of the First and Second Lien Secured Notes due 2019 and 2020 respectively, and subsequent issue of £350m First Lien and £130m Second Lien Secured Notes due 2023 and 2024 respectively. In the prior year, exceptional finance income arose due to the repurchase and cancellation of £12.0m Second Lien Secured Notes at a purchase price of £9.4m, resulting in exceptional finance income of £2.5m, net of £0.1m of issue costs in relation to the bonds.

The statutory profit after tax was £14.8m (2017: £7.4m profit).

Additions to property, plant and equipment of £63.7m (2017: £16.8m) includes the purchase of the long term lease of Head Office. Intangible assets of £10.1m (2017: £10.0m) during the period include the costs associated with the ongoing development of the new online platform and investment in store merchandising fixtures.

MISSOURI TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

Development and performance of the business

The Group maintained its strategy for sustainable growth through the following areas:

- Executing a compelling and credible product offer
- Building a seamless omni-channel customer experience
- Nurturing engaging customer relationships
- Optimising operational performance

Executing a compelling and credible product offer

In the period the Group continued with a full price trading strategy, with a greater focus on design, taste and co-ordination in its clothing ranges. Ranges are now designed around colour palettes, key looks and trends and co-ordination has been enhanced with improved fixtures, better visual merchandising and mannequins in store. More frequent newness has been introduced by increasing the number of launch phases, complimented with further new 'edit' drops. To provide urgency and excitement, monthly special bought deals were introduced and executed via 'Now or Never' and 'Special Buys' promotional mechanics.

We maintained a clear range and sub-brand architecture from value lines within 'Good' through 'Better' and 'Best', whilst maintaining iconic opening price points to anchor the value proposition and overall brand positioning. Through investment in fabrics and distinct design handwriting the sub-brands provided opportunity for customers to trade up through the range, with the same great value offered throughout. Extending the Homeware mix successfully delivered growth in our non-clothing offer. New categories were tested and launched including lighting and branded toys, with plans to further extend ranges into adjacent, credible categories.

Building a seamless Omni-Channel customer experience

Omni-Channel customers spend significantly more than a single channel customer and therefore the Group continued to migrate customers across channels to drive frequency, revenue and profitability.

Revenue's in the Group's online channel increased in the period by over 30%. The new website was implemented early in the year providing a more agile platform, improved customer navigation and responsiveness, and the ability to add further significant functionality enhancements at pace. We also began to introduce personalised site visual merchandising based on previous shopping behaviour together with product recommendations to enhance the customer experience. Service levels were also improved with the introduction of next day click and collect and extended cut-off times for next day home delivery, which were well received by customers.

We also focused on optimising our existing store space as well as improving the overall shopping environment. In the period we refurbished 41 stores, which included general modernisation, improved customer navigation and brand segregation, as well as improved levels of choice through increased densities. In several of our larger stores we also trialled new ranges and services, including two new coffee shops – improving the experience and supporting further dwell time for customers. The store refurbishment programme will continue in the coming 12 months. We exited the period with 227 UK stores, five of which are Clearance stores.

During the year we also successfully trialled the use of RFID (Radio Frequency Identification) inventory tracking, which we believe will support improved availability, productivity and the sharing of inventory across channels. Following a successful trial we intend to begin to implement this over the coming year.

Our international franchise model continues to expand with a further two new stores in Malta, taking the total international franchise stores to 25. The Group intends to open further franchise stores in new territories in the coming 12 months.

STRATEGIC REPORT (CONTINUED)

Nurturing engaging customer relationships

With our well-established relationship with nearly 12 million active customers, we maintain our focus on keeping them highly engaged in our offer and loyal to our brand. We continued to execute disruptive and inspirational content via a media strategy that supports the brand's fashion credentials, through our "Always On" approach. We have a frequent and mass market reach across multiple channels, including TV, social media and printed editorial content in leading magazine titles. Within this suite of activity is our award winning "The Show", a popular chat show format with celebrity guests and fashion experts discussing current trends and highlighting key pieces from our range. "The Show" trailerverts were evolved to include key looks and price points to reinforce the value message and deliver compelling calls to action. We also employed the reach of celebrity "influencers" across the channels and in stores, with celebrity endorsements of key brands, to successfully attract new customers, whilst engaging existing customers via increasing brand appeal.

We continue to look at how we maximise the utilisation of our digitally enabled data warehouse to influence customer behaviour. Being more insights driven through the use of this data will enable us to further personalise contacts with customers across all channels, driving frequency and loyalty, through messaging and rewards specific to the customers own profile.

Optimising operational performance

The Group continued to focus on managing costs and driving efficiencies across the business by optimising its organisational structure and evolving its operating model. The store operating model was reviewed and a more customer centric and efficient structure adopted, there were further improvements in the operational effectiveness of the supply chain and several other operational cost efficiencies delivered. Further intake margin improvements were achieved despite foreign currency pressure via production efficiency, waste minimisation and supplier compliance.

As a proud value retailer, our team has a strong focus on cost, continuously seeking opportunities to add more value for less cost. In the next 12 months we will continue to optimise operational performance through technology – beginning the introduction of RFID across the UK, modernising the buying and merchandising systems to provide tools that enable better analytics and decision making, a new EPOS system and the trial of self-service checkouts, and marketing activity further shifting to digital channels. These will deliver operational cost efficiencies and with our continued stock management focus will support the mitigation of the continuing cost and inflationary headwinds faced by the sector.

MISSOURI TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The responsibility of monitoring financial risk management and treasury responsibilities and procedures lie with the board of directors. The policies set by the board of directors are implemented by the Group's finance department.

The risks below are the principal risks that may impact the Group achieving its strategic objectives.

Economic Conditions - the Group operates in a highly competitive industry. The outlook for the UK and global economy, consumer confidence and spending patterns may impact our ability to deliver growth.

The board of directors reviews performance and ensures that management is focussed on key priorities and cost control to mitigate this risk.

Brand & Reputation - failure to meet our customer and/or stakeholder expectations impacts the Matalan brand, customer loyalty and market share.

The Group has an ethical sourcing policy and works closely with customers, performing frequent surveys and feedback sessions, to understand how to best meet their needs.

Suppliers or Third Parties - failure of a key supplier or third party would impact the service that the Group can provide to its customers. Sustained supplier cost price increases as a result of rising raw material costs, labour costs and transport costs would place pressure on margins.

The Group manages its exposure by working closely with its suppliers and third parties to ensure it can offer the best value to its customers. The Group monitors the stability of its supply base closely and works with suppliers and third parties to identify any issues on a timely basis.

Supply Chain – operational issues within the supply chain would impact the service that the Group can provide to its customers.

The Group manages its exposure by having an experienced management team, monitoring performance of all aspects of the supply chain working in line with industry best practice.

Liquidity Risk - any impact on available cash and liquidity could have a material effect on the business and its result.

The Group actively maintains a mixture of long-term and short-term debt finance, which is designed to ensure that the Group has access to sufficient available funds for ongoing working capital needs as well as planned capital investment and expansion. The amount of debt finance required is monitored and reviewed at least annually by the board of directors.

MISSOURI TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

Foreign Exchange Risk - The Group is exposed to risk of fluctuating foreign exchange rates as a result of its overseas purchases. The principal currency with which this exposure lies is US dollar.

The exchange rates between the US dollar and other world currencies have fluctuated significantly in recent years and may continue to do so in the future. Following the UK referendum in June 2016, favouring Brexit, the pound sterling significantly weakened against the US dollar. Whilst this has strengthened somewhat through the year, at present the terms of Brexit remain unclear. Until the details become clear further volatility is possible until the negotiations are concluded.

The Group uses forward foreign exchange contracts in order to manage its exposure to foreign exchange risk and wherever possible these are hedge accounted under IAS 39. The Group has a treasury policy in place which limits how much can be purchased on a rolling 30 month basis. In accordance with this policy, the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Interest Rate Risk - fluctuating interest rates could have an impact on cash flows and profit.

The Group has long term interest bearing debt liabilities which are subject to fixed rates of interest. This fixed rate debt structure has significantly lowered interest rate risk faced by the Group.

Commodity Risk - As the Group's principal activity is the purchase and sale of clothes, it is exposed to a cost base which is heavily influenced by the market price of cotton.

The Group monitors trends in the cotton market to manage this risk and, by agreeing purchase contracts with suppliers six to nine months in advance, provides a degree of advance knowledge of the cost base.

Key Performance Indicators

The directors consider EBITDA before exceptional items to be the main financial KPI for the business. EBITDA before exceptional items is £104.5m (2017: £77.0m), see note 8 to the financial statements.

By order of the board



S Hill
Director

14 May 2018

MISSOURI TOPCO LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018

The directors present their report for the 52 weeks ended 24 February 2018.

Directors

The Company's directors who served during the period up to the date of signing the financial statements are noted on page 1.

Principal activities

The principal activity of Missouri Topco Limited is that of a holding company.

The principal activities of the Group are the sale of clothing and homewares through out-of-town retail outlets, primarily through the Matalan fascia.

Directors' indemnities

During the period and up to the date of signing the financial statements, the Company maintained third party indemnity insurance for its directors and officers as defined by Section 234 of the Companies Act 2006.

Going concern

After reviewing the Group's and Company's budget and appropriate sensitivities for the period to February 2020, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further details around the borrowings held by the Group and the RCF available but not drawn down on at year end are provided in note 17.

During the period, the business reviewed its long term funding strategy, redeeming the existing Secured Notes that were due to mature in 2019 and 2020, and replacing with a new issue of Secured 1st and 2nd Lien Notes maturing 2023 and 2024 respectively (see note 17).

The Group statement of financial position shows a net liability position as a result of the requirement to apply merger accounting to reflect the change in ownership of Matalan, which resulted in the creation of a merger reserve in equity rather than acquisition goodwill. As at 24 February 2018, the Group is in a net current asset position and has adequate liquid resources to pay its liabilities as they fall due. The accounts of Matalan Retail Limited, the principal subsidiary of the Group, show the balance sheet strength of the trading group.

Employees

Information on matters of concern to employees is given through information bulletins and reports. Monthly meetings are held with head office employees which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group is proud of its diverse workforce and we are committed to ensuring that all employees are treated fairly, both in terms of pay and the opportunities available to them regardless of disability or gender. Our policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Political donations

During the period the Group made political donations of £nil (2017: £nil).

Dividends

No dividend has been paid by the Company in the period.

MISSOURI TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

Creditor payment policy

UK suppliers are paid at the end of the month following invoice or to the specific terms agreed with the supplier. Foreign suppliers are paid within an agreed number of days from either shipment date or document date.

It is the Group's policy to ensure the suppliers are aware of the Company's terms of payment and that terms of payment are agreed at the commencement of business with each supplier. Payments are made in accordance with the payment terms and conditions agreed. Trade creditor days at 24 February 2018 were 43 days (2017: 44 days) based on average daily purchases.

Disclosure of information to the auditor

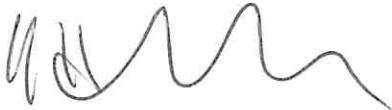
For all persons who are directors at the time of the approval of the directors' report and financial statements:

- a) so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- b) each director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Independent auditor

In accordance with Companies (Guernsey) Law 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S Hill

Director

14 May 2018

MISSOURI TOPCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

MISSOURI TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MISSOURI TOPCO LIMITED

Opinion

We have audited the Group and Company financial statements (the "financial statements") of Missouri Topco Limited (the "Company") for the period ended 24th February 2018 which comprise the Group and parent company Income Statements, the Group and parent company Statement of Comprehensive Income, the Group and Parent company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Parent company Statement of Changes in Shareholders' Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 24 February 2018 and of its profit for the period then ended;
- are in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information presented in the Strategic Report and the Directors' Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies (Guernsey) Law 2008 we are required to report to you if, in our opinion:

- the company has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report in these respects.

MISSOURI TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MISSOURI TOPCO LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

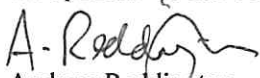
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Reddington
For and on behalf of KPMG LLP

Chartered Accountants and Recognised Auditor

1 St Peter's Square
Manchester
M2 3AE

14 May 2018

MISSOURI TOPCO LIMITED

INCOME STATEMENT

		Group		Company	
		52 weeks ended 24 February 2018 £'m	52 weeks ended 25 February 2017 £'m	52 weeks ended 24 February 2018 £'m	52 weeks ended 25 February 2017 £'m
	Note				
Revenue (including exceptional items)	4	1,063.0	1,037.3	-	-
Cost of sales (including exceptional items)	4	(927.0)	(925.7)	-	-
Gross profit (including exceptional items)	4	136.0	111.6	-	-
Administrative expenses (including exceptional items)	4	(63.9)	(65.5)	-	(0.2)
Operating profit/ (loss) (including exceptional items)	4	72.1	46.1	-	(0.2)
Operating profit/ (loss) pre exceptional items		73.9	47.9	-	(0.2)
Exceptional items - administrative expenses	29	(1.8)	(1.8)	-	-
Operating profit/ (loss)		72.1	46.1	-	(0.2)
Finance costs	5	(37.8)	(39.2)	-	-
Finance income	5	0.5	0.5	-	-
Exceptional finance (expense)/income	5, 29	(14.8)	2.5	-	-
Net finance costs		(52.1)	(36.2)	-	-
Profit/ (loss) before income tax and exceptional items	9	36.6	9.2	-	(0.2)
Total exceptional items		(16.6)	0.7	-	-
Profit / (loss) before income tax		20.0	9.9	-	(0.2)
Income tax expense	10	(5.2)	(2.5)	-	-
Profit/ (loss) for the period		14.8	7.4	-	(0.2)
Attributable to:					
Equity holders of the parent		14.9	8.1		
Non controlling interest		(0.1)	(0.7)		
Profit for the period		14.8	7.4		

MISSOURI TOPCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Group	
	52 weeks ended 24 February 2018 £'m	52 weeks ended 25 February 2017 £'m
Profit for the period	14.8	7.4
Other comprehensive (expenditure)/income :		
Cash flow hedges	(108.3)	(5.8)
Tax element of cash flow hedges	20.6	1.5
Other comprehensive expenditure for the period, net of tax	(87.7)	(4.3)
Total comprehensive (expenditure)/income for the period	(72.9)	3.1

The Company has no other comprehensive expenditure other than the loss (2017: loss) for the period.

MISSOURI TOPCO LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 24 FEBRUARY 2018

		Group		Company	
	Note	2018	2017	2018	2017
		£'m	£'m	£'m	£'m
Assets					
Property, plant and equipment	11	207.8	167.5	-	-
Intangible assets	12	32.0	29.0	-	-
Investments	13	-	-	458.8	458.5
Deferred tax asset	10	6.2	-	-	-
Financial assets - derivative financial instruments	20	0.2	11.5	-	-
Total non-current assets		246.2	208.0	458.8	458.5
Inventories - goods for resale	14	119.7	114.7	-	-
Trade and other receivables	15	29.6	32.0	30.1	30.1
Financial assets - derivative financial instruments	20	2.4	60.0	-	-
Cash and cash equivalents	16	62.2	81.1	-	-
Total current assets		213.9	287.8	30.1	30.1
Total assets		460.1	495.8	488.9	488.6
Liabilities					
Financial liabilities – derivative financial instruments	20	(25.4)	-	-	-
Trade and other payables	18	(154.9)	(145.0)	(60.3)	(60.3)
Current income tax liabilities	10	(2.5)	(1.5)	-	-
Provisions for other liabilities and charges	21	(0.5)	(0.5)	-	-
Total current liabilities		(183.3)	(147.0)	(60.3)	(60.3)
Financial liabilities – borrowings	17	(473.9)	(477.2)	-	-
Financial liabilities – derivative financial instruments	20	(22.0)	(0.4)	-	-
Trade and other payables	19	(40.9)	(42.9)	-	-
Deferred income tax liabilities	10	-	(14.8)	-	-
Provisions for other liabilities and charges	21	(1.2)	(1.7)	-	-
Total non-current liabilities		(538.0)	(537.0)	-	-
Total liabilities		(721.3)	(684.0)	(60.3)	(60.3)
Net (liabilities)/ assets		(261.2)	(188.2)	428.6	428.3
Shareholders' (deficit)/ equity					
Share capital	22	17.3	17.3	17.3	17.3
Share premium		385.6	385.6	385.6	385.6
Hedge reserve		(36.0)	51.7	-	-
Merger reserve		(774.3)	(774.3)	-	-
Warrant reserve		3.1	3.1	-	-
Capital redemption reserve		5.7	5.7	4.6	4.6
Non-controlling interest		-	(0.8)	-	-
Retained earnings		137.4	123.5	21.1	20.8
Total shareholders' (deficit)/ equity		(261.2)	(188.2)	428.6	428.3

The financial statements on pages 12 to 50 were approved by the Board of Directors on 14 May 2018 and signed on its behalf by:


J Mills
Director

S Hill
Director 

Missouri Topco Limited
Registered number: 00045618

MISSOURI TOPCO LIMITED

STATEMENT OF CASH FLOWS

		Group	
	Note	2018 £'m	2017 £'m
Cash flows from operating activities			
Cash generated from operations	23	121.2	81.9
Interest paid		(43.6)	(37.9)
Tax paid		(4.5)	(1.4)
Net cash generated from operating activities		73.1	42.6
Cash flows from investing activities			
Purchases of property, plant and equipment		(62.5)	(17.2)
Purchases of intangible assets		(10.4)	(9.9)
Purchase of shares in investment		(0.4)	-
Interest received		0.5	0.5
Net cash used in investing activities		(72.8)	(26.6)
Cash flows from financing activities			
Bonds redeemed		(480.0)	-
Early redemption charge		(12.0)	-
Bonds issued – capital		480.0	-
Bonds issued – costs		(7.2)	-
Bonds repurchased		-	(9.4)
Net cash (used) in financing activities		(19.2)	(9.4)
Net (decrease)/ increase in cash and cash equivalents		(18.9)	6.6
Cash and cash equivalents at the beginning of the period		81.1	74.5
Cash and cash equivalents at the end of the period	16	62.2	81.1

The Company had no cash flows in 2018 (2017: none).

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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	Non-controlling interest £'m	Retained earnings £'m	Total equity £'m
As at 28 February 2016	17.3	385.6	(774.3)	56.0	5.7	3.1	(0.2)	115.1	(191.7)
Comprehensive expenditure									
Profit for the period	-	-	-	-	-	-	-	8.1	8.1
Total profit for the period	-	-	-	-	-	-	-	8.1	8.1
Other comprehensive expenditure									
Cash flow hedges									
- fair value gain in the period	-	-	-	(3.6)	-	-	-	-	(3.6)
- transfers to inventory	-	-	-	(2.2)	-	-	-	-	(2.2)
- tax element of cash flow hedges	-	-	-	1.5	-	-	-	-	1.5
Total cash flow hedges, net of tax	-	-	-	(4.3)	-	-	-	-	(4.3)
Total other comprehensive income, net of tax	-	-	-	(4.3)	-	-	-	-	(4.3)
Transactions with owners									
Fair value credit for subscription for 'B' shares	-	-	-	-	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	-	-	-	-	0.3	0.3
Non-controlling interest	-	-	-	-	-	-	(0.6)	-	(0.6)
As at 25 February 2017	17.3	385.6	(774.3)	51.7	5.7	3.1	(0.8)	123.5	(188.2)

MISSOURI TOPCO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Group	Note	Share capital £'m	Share premium £'m	Merger reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Non-controlling interest £'m	Retained earnings £'m	Total equity £'m
As at 25 February 2017		17.3	385.6	(774.3)	51.7	5.7	3.1	(0.8)	123.5	(188.2)
Comprehensive income										
Profit for the period		-	-	-	-	-	-	-	14.9	14.9
Total profit for the period		-	-	-	-	-	-	-	14.9	14.9
Other comprehensive income										
Cash flow hedges										
- fair value gain in the period		-	-	-	(115.9)	-	-	-	-	(115.9)
- transfers to inventory		-	-	-	7.6	-	-	-	-	7.6
- tax element of cash flow hedges		-	-	-	20.6	-	-	-	-	20.6
Total cash flow hedges, net of tax		-	-	-	(87.7)	-	-	-	-	(87.7)
Total other comprehensive expenditure, net of tax		-	-	-	(87.7)	-	-	-	-	(87.7)
Transactions with owners										
Fair value charge for subscription for 'B' shares		-	-	-	-	-	-	-	0.3	0.3
Total transactions with owners		-	-	-	-	-	-	-	0.3	0.3
Changes in ownership interests										
Acquisition of NCI without change in control	30	-	-	-	-	-	-	0.8	(1.3)	(0.5)
As at 24 February 2018		17.3	385.6	(774.3)	(36.0)	5.7	3.1	-	137.4	(261.2)

MISSOURI TOPCO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Company	Share capital £'m	Share premium £'m	Capital redemption reserve £'m	Retained earnings £'m	Total equity £'m
As at 28 February 2016	17.3	385.6	4.6	20.7	428.2
Comprehensive expenditure					
Loss for the period	-	-	-	(0.2)	(0.2)
Total comprehensive expenditure	-	-	-	(0.2)	(0.2)
Transactions with owners					
Fair value charge to group undertakings for subscription for 'B' shares	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	0.3	0.3
As at 25 February 2017	17.3	385.6	4.6	20.8	428.3
As at 26 February 2017	17.3	385.6	4.6	20.8	428.3
Comprehensive expenditure					
Loss for the period	-	-	-	-	-
Total comprehensive expenditure	-	-	-	-	-
Transactions with owners					
Fair value charge to group undertakings for subscription for 'B' shares	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	0.3	0.3
As at 24 February 2018	17.3	385.6	4.6	21.1	428.6

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 Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations. The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2.2 New standards, amendments to standards or interpretations

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year that would be expected to have a material impact on the Company.

The Company has not early adopted the following standards and statements which are not yet effective. The adoption of these standards is not expected to have a material impact on the Company's accounts when adopted, except where stated:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 Share-based payments
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 16 Leases. The new standard is effective for annual reporting periods beginning on or after 1 January 2019. The impact of the new standard is expected to be material and is currently under review by the Group.

It is not expected that transition to IFRS 15 will have a material impact on the financial statements.

The transition to IFRS 16 will impact the financial statements, affecting the income statement, balance sheet and disclosure when adopted including the opening balance sheet at 24 February 2019. The new standard allows for two different transition approaches, fully retrospective and modified retrospective. The Group is currently in the process of assessing the impact of the new standard, deciding on the transition approach and identifying processes, systems and information required when adopted. The initial phase of work, which is still in progress, has involved considering assumptions and assessing data requirements. The Group has not yet concluded on a transition approach and as such it is not possible to fully quantify the impact of IFRS 16 at this stage.

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

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Going concern

After reviewing the Group's and Company's budget and appropriate sensitivities for the period to February 2020, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. Further details around the borrowings held by the Group and the RCF available but not drawn down on at year end are provided in note 17.

The Group statement of financial position shows a net liability position as a result of the requirement to apply merger accounting to reflect the change in ownership of Matalan, which resulted in the creation of a merger reserve in equity rather than acquisition goodwill. As at 24 February 2018, the Group is in a net current asset position and has adequate liquid resources to pay its liabilities as they fall due. The accounts of Matalan Retail Limited, the principal subsidiary of the Group, show the balance sheet strength of the trading group.

2.4 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements, estimates and assumptions are based on historical experience and management's best knowledge at the time. Actual results may differ from these estimates.

Critical accounting estimates and judgements relate to the following:

(a) Carrying value of inventories

Inventories include provisions for obsolescence, markdowns and shrinkage based on historical experience and management estimates of future events.

(b) Provisions

Provisions have been made for dilapidations and onerous property leases. Information relating to provisions is disclosed in note 21. The provisions are based on historical experience and management's best knowledge and are reviewed at each balance sheet date. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

(c) Depreciation of property, plant and equipment and amortisation of computer software costs

Depreciation and amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as disclosed in note 2.10. The selection of these residual values and estimated lives requires the exercise of management judgement.

2.5 Basis of consolidation

Missouri Topco Limited, the ultimate parent company of Matalan Group Limited is 100% owned by the Hargreaves family. A group reconstruction, which took place in 2007, was accounted for using merger accounting principles as the controlling interests of the Company has remained unchanged.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.5 Basis of consolidation (continued)

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

2.6 Revenue

Revenue, which excludes value added tax and trade discounts, represents the value of goods sold through retail shops and online.

Retail revenue, which is net of returns, is recognised in the financial statements when the risks and rewards of ownership have passed to the customer at the point of sale. Sale of goods online are recognised when goods are despatched and title has passed.

2.7 Finance income

Finance income is recognised on a time apportion basis using the effective interest method.

2.8 Intangible assets

(a) Computer software

Software and associated costs are capitalised as intangible assets where it is not an integral part of the related hardware at purchase cost and amortised in the income statement to administrative expenses on a straight line basis over its estimated useful life which is generally 3 to 5 years.

(b) Brands

Purchased brands are capitalised at historical cost as intangible assets and amortised over its estimated useful life which is generally 5 years.

2.9 Impairment of non-financial assets

Non financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.10 Property, plant and equipment

Items of property, plant and equipment are stated at purchase cost or deemed purchase cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the income statement on a straight line basis over the estimated useful economic lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Alterations to leasehold premises	shorter of remaining life and 25 years
Fixtures, fittings and IT hardware	3 – 10 years
Motor vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised net in the income statement.

Depreciation of property, plant and equipment is charged to cost of sales and administrative expenses in the income statement.

2.11 Assets under construction

Assets that are not yet in use are classified as 'assets under construction'. When the related asset is brought into use the asset will be transferred out of this classification and depreciation or amortisation will commence based on the estimated useful life as defined by the accounting policies specified above.

2.12 Investments

Investments in subsidiaries are stated at cost, where cost is the aggregate nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

The net book value of investments in subsidiaries is increased by the fair value of employee services for those employees of those subsidiaries receiving share based payments granted by this company, in accordance with IFRS 2 "Share based payments" with a corresponding credit to equity.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on purchase cost on a first in, first out basis and includes appropriate overheads and direct expenditure incurred in the normal course of business in bringing them to their present location and condition. Net realisable value is the price at which inventories can be sold in the normal course of business after deducting costs of realisation. Provisions are made as appropriate for obsolescence, markdown and shrinkage. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to the purchase of goods for resale. It is assumed that control of stock purchased from overseas passes once the goods are received into the UK port and inventories are recognised at this point.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.14 Foreign currency transactions

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Foreign exchange differences arising on translation are dealt with in the income statement except when deferred in equity as qualifying cash flow hedges.

2.15 Operating leases

Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

Lease incentives to enter into new operating leases are deferred and released to the income statement on a straight-line basis over the lease term.

Current and non-current deferred income arises from rent free period and reverse premium incentives received on property leases which are held on the statement of financial position and released to the income statement on a straight line basis over the lease term.

2.16 Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.17 Deferred income tax

Deferred income tax is provided in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases of assets and liabilities. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date and that are expected to apply when the related deferred tax liability is settled or asset is realised.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred income tax is charged or credited to the income statement when the liability is settled or the asset is realised. Deferred income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

2.18 Derivative financial instruments

The Group uses forward foreign currency contracts to manage its exposure to fluctuating interest and foreign exchange rates. In accordance with its Treasury policy, the Group does not hold or issue derivative financial instruments for speculative or trading purposes. These instruments are initially recognised and measured at fair value on the date the contracts are entered into and subsequently re-measured at their fair value at the balance sheet date. The fair value is calculated using mathematical models and is based upon the duration of the derivative instrument together with quoted market data including foreign exchange rates at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.18 Derivative financial instruments (continued)

The method of recognising the resulting gain or loss is dependent upon whether the derivative is designated as an effective hedging instrument and the nature of the item being hedged. The Group accounts for those derivative financial instruments used to manage its exposure to foreign exchange risk on highly probable foreign currency stock purchases as cashflow hedges under IAS 39. At inception of a contract the Group documents the relationship between the hedging instrument and the hedged item as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment of the effectiveness at inception and on an ongoing basis to ensure that the instrument remains an effective hedge of the transaction. The assessment of effectiveness is re-performed at each quarter end to ensure that the hedge remains highly effective.

The effective portion of the changes in fair value of cashflow hedges is recognised in equity. On completion of the forecast purchase transaction, the effective part of any gain or loss previously deferred in equity is recognised as part of the carrying amount of the underlying non-financial asset. The effective gain or loss is recognised in cost of sales in the income statement in the same period during which the underlying asset affects the income statement.

If the hedge transaction is no longer expected to take place, then the cumulative unrealised gain or loss is recognised immediately in the income statement. The gain or loss relating to the ineffective portion of all hedges is recognised immediately in the income statement. Cumulative gains or losses remain in equity and are then recognised when transactions are ultimately recognised in the income statement.

Derivatives are deemed to be current unless the financial instrument is due to mature more than 12 months after the balance sheet date then they are deemed to be non-current.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.20 Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable issue costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement within finance costs over the period of the borrowings on an effective interest basis. The fair values of trade and other receivables, loans and overdrafts and trade and other payables with a maturity of less than one year are assumed to approximate to their book values. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.21 Dividends

Final dividends payable to the Group's shareholders are recognised in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders. Interim dividends payable are recognised in the period in which the dividends are paid.

2.22 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to the termination of the employment of current employees according to a detailed formal plan without possibility of withdrawal. These benefits are disclosed in the financial statements where material.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.23 Exceptional items

Items that are material in size and/or non-recurring in nature are presented as exceptional items in the income statement. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, gains or losses on the disposal or impairment of assets and other significant non recurring gains or losses.

2.24 Warrants

Warrants issued to subscribe for 'A' ordinary shares in the Company are valued at fair value at the date of grant. Fair value is calculated using a Black Scholes model. Where warrants are issued in conjunction with debt financing, they are treated as an attributable transaction cost of the related debt, accordingly their cost is treated as a deduction in borrowings and is amortised in the income statement as a finance cost over the term of borrowings.

2.25 Share capital policy

Ordinary shares are classified as equity.

2.26 Share based payments

At the date of acquisition Missouri Topco Limited, the Group's ultimate parent, entered into agreements with selected individuals which enabled them to subscribe for 300,000 of the B shares in that company. These agreements were considered to be within the scope of IFRS 2 "Share Based Payments".

The agreements provide that B shareholders would participate in the increase in fair value of the Group from the date of merger with Matalan plc and until either a specified exit event or liquidation occurs. The agreements were treated as a share based payment transaction in accordance with IFRS 2. The fair value of the subscription agreement was valued at the date of the agreement using a Black Scholes model and spread across the expected term of the agreement, reviewed at each balance sheet date. The resulting charge or credit is accounted for as an employee expense or income with a corresponding increase or decrease in equity. The shares covered by the subscription agreements have all now been fully paid up and issued.

2.27 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement within selling and administration costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and administration costs in the income statement.

2.28 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current and non-current deferred income arises from rent free period and reverse premium incentives received on property leases which are held on the statement of financial position and released to the income statement over the lease term.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.29 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

Group policy requires all group companies to manage their foreign exchange risk against their functional currency. The functional currency of all group companies is sterling. The group companies are required to substantially hedge their foreign exchange risk exposure with group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group hedges future seasons' purchases denominated in US dollars. The group treasury's risk management policy is to hedge forecast purchases up to two and a half years in advance of anticipated cash flows in respect of the purchase of inventory. 100% (2017: 100%) of projected purchases in US dollars qualify as 'highly probable' forecast transactions for hedge accounting purposes.

At 24 February 2018, if sterling had strengthened by 10% against the US dollar with all other variables held constant, post-tax profit would have been £2.7m higher (2017: £2.7m higher), mainly as a result of foreign exchange gains on translation of US dollar trade payable amounts compensated by foreign exchange losses on translation of US dollar denominated cash and trade receivable US dollar amounts.

At 24 February 2018, if sterling had weakened by 10% against the US dollar with all other variables held constant, post-tax profit would have been £2.7m lower (2017: £2.7m lower), mainly as a result of foreign exchange losses on translation of US dollar trade payable amounts compensated by foreign exchange gains on translation of US dollar denominated cash and trade receivable US dollar amounts.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The effective rate of interest applicable to the Group's cash balances in the year is 0.60% (2017: 0.54%).

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's long-term borrowings are all fixed rate instruments which significantly reduces the Group's exposure to interest rate risk.

(ii) Cash flow and fair value interest rate risk (continued)

The impact on profit or loss of a 10 basis-point shift in LIBOR with all other variables held constant would be a maximum increase/decrease of £nil (2017: £nil).

During 2017 and 2018, the Group's borrowings at fixed rates were denominated in sterling.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Banks and financial institutions are approved by the Board on a case by case basis, taking into account credit rating and investment criteria.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Management monitors the utilisation of credit limits regularly.

Sales to retail customers are settled in cash or using major credit cards (it is company policy not to accept cheques).

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by counterparties. The main counterparties dealt with in the period include Lloyds Bank plc and Barclays Bank plc.

The ageing of receivables has not been disclosed as receivables are not deemed to be material to the Group.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

c) Liquidity risk (continued)

Management monitors rolling forecasts of the Group's liquidity reserve comprising borrowing facilities (note 17) and cash and cash equivalents (note 16) on the basis of expected cash flow. This is generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

The table below analyses the Group's financial liabilities before issue costs into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 25 February 2017				
Borrowings (before deduction of £2.8m issue costs) including interest payable	(35.8)	(35.8)	(510.2)	-
Derivative financial instruments	-	(0.4)	-	-
Trade and other payables	(146.4)	(5.2)	(14.6)	(23.2)
Provisions for other liabilities and charges	(0.5)	(0.5)	(1.2)	-
	(182.7)	(41.9)	(526.0)	(23.2)
At 24 February 2018				
Borrowings (before deduction of £6.1m issue costs) including interest payable	(36.6)	(36.0)	(458.0)	(142.4)
Derivative financial instruments	(25.4)	(22.0)	-	-
Trade and other payables	(156.8)	(5.5)	(14.8)	(20.6)
Provisions for other liabilities and charges	(1.1)	(0.5)	(0.7)	-
	(219.9)	(64.0)	(473.5)	(163.0)

The table below analyses the value of the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the contractual maturity date as at the balance sheet date. Inflows from gains and outflows from losses on these instruments are presented separately.

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 25 February 2017				
Cash flow hedges:				
Inflows	60.0	11.5	-	-
Outflows	-	(0.4)	-	-
	60.0	11.1	-	-
At 24 February 2018				
Cash flow hedges:				
Inflows	2.4	0.2	-	-
Outflows	(25.4)	(22.0)	-	-
	(23.0)	(21.8)	-	-

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by adjusted total capital.

Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted total capital is calculated as 'equity' as shown in the consolidated statement of financial position and excluding the merger reserve.

Group net debt

	Note	2018 £'m	2017 £'m
Total borrowings (net of issue costs)	17	473.9	477.2
Less: Cash and cash equivalents	16	(62.2)	(81.1)
Net debt		411.7	396.1
Adjusted total capital		513.7	586.0
Gearing ratio		80%	68%

The gearing ratio excludes the creation of a merger reserve and the Group considers this a more appropriate measure to be used as it takes account of underlying assets and equity generated in the course of business. The Group was required to meet specific bank covenants including debt cover during the year. The Group has complied with bank covenants throughout the year.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

The following represents the Group's assets and liabilities that are measured at fair value at 24 February 2018:

	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets				
Cash flow hedges	-	2.6	-	2.6
Total assets	-	2.6	-	2.6
Liabilities				
Cash flow hedges	-	(47.4)	-	(47.4)
Total liabilities	-	(47.4)	-	(47.4)

The following represents the Group's assets and liabilities that are measured at fair value at 25 February 2017:

	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets				
Cash flow hedges	-	71.5	-	71.5
Total assets	-	71.5	-	71.5
Liabilities				
Cash flow hedges	-	(0.4)	-	(0.4)
Total liabilities	-	(0.4)	-	(0.4)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date by reference to contract rate and the market forward exchange rates at the balance sheet date.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Operating profit

	Group	
	2018 £'m	2017 £'m
Revenue - pre exceptional items	1,063.0	1,037.3
Total Revenue	1,063.0	1,037.3
Cost of goods sold - pre exceptional items	(533.9)	(533.4)
Selling expenses - pre exceptional items	(346.5)	(341.5)
Distribution expenses	(46.6)	(50.8)
Total cost of sales	(927.0)	(925.7)
Gross profit	136.0	111.6
Administrative expenses - pre exceptional items	(62.1)	(63.7)
Exceptional items - administrative expenses	(1.8)	(1.8)
Administrative expenses	(63.9)	(65.5)
Operating profit	72.1	46.1

Further details of exceptional items above are included in note 29.

5. Net finance costs

	Group	
	2018 £'m	2017 £'m
Finance costs and similar charges:		
Interest payable on notes	(35.6)	(36.7)
Amortisation of finance costs:		
Notes costs	(1.1)	(1.1)
Other interest payable	(0.9)	(1.2)
Unwinding of discounts on provision	(0.2)	(0.2)
Finance costs	(37.8)	(39.2)
Finance income:		
Interest receivable on short term cash deposits	0.5	0.5
Finance income	0.5	0.5
Exceptional finance (expense)/income	(14.8)	2.5
Net finance costs	(52.1)	(36.2)

Unwinding of discounts on provision arises on the onerous lease provision.

Further details of exceptional finance income above are included in note 29.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Directors' emoluments

The remuneration paid or payable to the directors of Missouri Topco Limited, as part of their service contract with Matalan Retail Limited, was:

	2018 £'m	2017 £'m
Aggregate emoluments and fees (including benefits in kind)	1.3	1.2
Performance bonuses and other emoluments	1.6	0.2
	2.9	1.4

No directors have benefits accruing under defined benefit or defined contribution pension schemes. Under arrangements for selected individuals to subscribe for equity settled "B" shares, a charge has been made to the income statement of £0.3m (2017: £0.2m) in respect of directors within administrative expenses.

Amounts paid to the highest paid director:

	2018 £'m	2017 £'m
Aggregate emoluments	0.6	0.6
Performance bonuses and other emoluments	0.9	-
	1.5	0.6

7. Employee information

The average number of persons (including executive directors) employed during the period was:

	Group 2018 Number	2017 Number
By function		
Selling and distribution	12,889	13,440
Administration	690	705
	13,579	14,145
	2018 £'m	2017 £'m
Staff costs (for the above persons)		
Wages and salaries	148.5	148.5
Social security costs	8.0	7.7
Other pension costs	0.9	0.9
Share based compensation charge	0.3	0.3
Termination payments	1.3	1.0
	159.0	158.4

The Company does not have any employees (2017: none).

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Segment reporting

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker. The Group adopts this policy and 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.

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. EBITDA before exceptional items for the period was £104.5m (2017: £77.0m). This can be reconciled to statutory operating profit as follows:

	Group	
	2018	2017
	£'m	£'m
Operating profit	72.1	46.1
Depreciation and amortisation	30.6	29.1
Exceptional items	1.8	1.8
EBITDA before exceptional items	104.5	77.0

The performance of the Group is subject to seasonal peaks. The Group traditionally performs well during the late spring, 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)

9. Profit before income tax

	Group	
	2018	2017
	£'m	£'m
Profit on ordinary activities before tax is stated after charging / (crediting):		
Cost of inventories recognised as an expense (included in cost of sales)	581.4	593.5
Depreciation charge for the period on property, plant and equipment	23.4	22.5
Amortisation of intangible assets	7.1	6.6
Fair value charge for subscription for 'B' shares	0.3	0.3
Exceptional items (note 29)	16.6	(0.7)
Net foreign exchange gains	(47.5)	(60.1)
Fees payable to the Group's Auditor:		
for the audit of the parent company and consolidated financial statements and subsidiary companies	0.1	0.1
for taxation advisory services	0.1	0.1
for taxation compliance services	-	-
for the interim audit relating to the refinancing exercise	0.2	-
for GDPR advisory services	0.2	-
Operating lease rentals payable	104.8	104.2

The audit fee for the Company amounting to £2,000 (2017: £2,000) is borne by a fellow group company. The total group audit fee is £0.1m (2017: £0.1m). Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed separately as the information is required instead to be disclosed on a consolidated basis.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Income tax expense

Analysis of expense

	Group	
	2018	2017
	£'m	£'m
Current income tax		
UK corporation tax – current year	5.0	3.3
UK corporation tax – prior year	0.6	-
	5.6	3.3
Deferred income tax		
Deferred income tax relating to the origination and reversal of temporary differences	-	0.1
Effect of change in income tax rates	-	(0.4)
Adjustment in respect of prior periods	(0.4)	(0.5)
	(0.4)	(0.8)
Total income tax expense	5.2	2.5

The Group income tax charge for the period is higher (2017: higher) than the rate of corporation tax of 19.09% (2017: 20%). The rate of corporation tax is based on a weighted average rate. A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions 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. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 24 February 2018 have been calculated based on these rates.

The differences are explained below:

	Group	
	2018	2017
	£'m	£'m
Profit on ordinary activities before income tax	20.0	9.9
Profit on ordinary activities multiplied by the rate of corporation tax of 19.09% (2017: 20%)	3.8	2.0
Effects of:		
Non deductible expenses	0.7	1.0
Adjustments to income tax in respect of prior periods	0.2	(0.5)
Change in rate of income tax on deferred income tax	-	(0.5)
Deferred income tax not recognised	0.5	0.5
Total income tax expense in the period	5.2	2.5

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Income tax expense (continued)

Deferred income tax

Deferred income tax is calculated in full on temporary differences on assets and liabilities using a tax rate of 17% (2017: 17%) except for financial derivatives where deferred tax has been calculated using a tax rate of 19%.

The movement on the deferred income tax account is shown below:

	Group	
	2018	2017
	£'m	£'m
At the beginning of the period	(14.8)	(17.1)
Taken to equity:		
- hedge reserve	20.6	1.5
Taken to income statement:		
- prior year movement	0.4	0.5
- depreciation in advance of capital allowances	0.3	(0.1)
- rollover relief for held over gains	(0.3)	-
- change in rate of income tax	-	0.4
At the end of the period	6.2	(14.8)

Deferred income tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£'m	£'m	£'m	£'m	£'m	£'m
Property, plant and equipment	-	-	(2.3)	(1.6)	(2.3)	(1.6)
Rolled over capital gain	-	-	(0.6)	(1.2)	(0.6)	(1.2)
Short-term temporary differences	0.6	0.2	-	-	0.6	0.2
Financial derivatives	8.5	-	-	(12.2)	8.5	(12.2)
Net deferred income tax assets/ (liabilities)	9.1	0.2	(2.9)	(15.0)	6.2	(14.8)

A deferred income tax asset of £3.1m in relation to losses has not been recognised on the basis that there is uncertainty regarding its future recoverability.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Income tax expense (continued)

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Financial derivatives £'m	Short term temporary differences £'m	Total £'m
As at 28 February 2016	-	0.4	0.4
Charged to the income statement	-	(0.2)	(0.2)
At 25 February 2017	-	0.2	0.2
At 26 February 2017	-	0.2	0.2
Credited to the income statement	-	0.4	0.4
Taken directly to equity	8.5	-	8.5
At 24 February 2018	8.5	0.6	9.1

The Directors consider it probable that there will be sufficient taxable profits in the future such as to recognise the deferred income tax asset.

Deferred income tax liabilities

	Accelerated tax depreciation £'m	Rolled over capital gain £'m	Financial derivatives £'m	Total £'m
As at 28 February 2016	(2.5)	(1.4)	(13.6)	(17.5)
Credited to the income statement	0.8	0.2	-	1.0
Taken directly to equity	-	-	1.5	1.5
At 25 February 2017	(1.7)	(1.2)	(12.1)	(15.0)
At 26 February 2017	(1.7)	(1.2)	(12.1)	(15.0)
(Charged)/credited to the income statement	(0.6)	0.6	-	-
Taken directly to equity	-	-	12.1	12.1
At 24 February 2018	(2.3)	(0.6)	-	(2.9)

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment

Group

	Alterations to leasehold premises £'m	Fixtures, fittings and IT hardware £'m	Total £'m
Cost			
At 28 February 2016	206.0	244.3	450.3
Additions	6.8	10.0	16.8
Disposals	(0.4)	(1.1)	(1.5)
At 25 February 2017	212.4	253.2	465.6
At 26 February 2017	212.4	253.2	465.6
Additions	40.9	22.8	63.7
At 24 February 2018	253.3	276.0	529.3
Accumulated depreciation			
At 28 February 2016	86.8	189.0	275.8
Charge for the period	8.6	13.9	22.5
Eliminated in respect of disposals	(0.2)	(0.7)	(0.9)
Impairment	0.2	0.5	0.7
At 25 February 2017	95.4	202.7	298.1
At 26 February 2017	95.4	202.7	298.1
Charge for the period	10.0	13.5	23.5
Impairment	-	(0.1)	(0.1)
At 24 February 2018	105.4	216.1	321.5
Net book value			
At 24 February 2018	147.9	59.9	207.8
Net book value As at 25 February 2017	117.0	50.5	167.5
Net book value At 27 February 2016	119.2	55.3	174.5

Depreciation of property, plant and equipment is charged to cost of sales and administrative expenses in the income statement.

Further details of exceptional disposal and impairment costs above are included in note 29.

The Company has no property, plant and equipment.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Intangible assets

Group

	Brands	Computer software and associated costs	Assets under construction	Goodwill	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
At 28 February 2016	1.7	98.3	5.2	0.9	106.1
Additions	-	3.2	6.8	-	10.0
At 25 February 2017	1.7	101.5	12.0	0.9	116.1
At 26 February 2017	1.7	101.5	12.0	0.9	116.1
Additions	-	7.6	2.5	-	10.1
At 24 February 2018	1.7	109.1	14.5	0.9	126.2
Aggregate amortisation					
At 28 February 2016	1.7	77.9	-	-	79.6
Charge for the period	-	6.6	-	-	6.6
Impairment	-	-	-	0.9	0.9
At 25 February 2017	1.7	84.5	-	0.9	87.1
At 26 February 2017	1.7	84.5	-	0.9	87.1
Charge for the period	-	7.1	-	-	7.1
At 24 February 2018	1.7	91.6	-	0.9	94.2
Net book value					
At 24 February 2018	-	17.5	14.5	-	32.0
Net book value					
As at 25 February 2017	-	17.0	12.0	-	29.0
Net book value					
At 27 February 2016	-	20.4	5.2	0.9	26.5

Amortisation of intangible assets is charged to administrative expenses in the income statement.

In the prior year, the Goodwill which arose on acquisition of the purchase of trade and assets of an online retailer into Matalan Direct Limited was reviewed and the group decided that the Matalan Direct business should be integrated into Matalan Retail Limited going forward in order to facilitate future growth. As a result an impairment of the goodwill from acquisition was made.

The Company has no intangible assets.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Investments

Company

	Investment in subsidiaries £'m
Cost and net book value	
At 28 February 2016	458.2
Fair value credit to group undertakings for subscription for 'B' shares	0.3
At 25 February 2017	458.5
At 26 February 2017	458.5
Fair value charge to group undertakings for subscription for 'B' shares	0.3
At 24 February 2018	458.8

A list of principal subsidiary undertakings is given in note 31.

The Directors believe that the book value of investments is supported by their underlying net assets and the future discounted cash flows of the trading subsidiaries of the investment.

The investment is wholly owned and has a coterminous period end with the Company.

14. Inventories

	Group	
	2018 £'m	2017 £'m
Finished goods	119.7	114.7

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £581.4m (2017: £593.5m). During the period the Group has written off and provided against £15.4m (2017: £11.8m) of inventories.

The Company has no inventories.

15. Trade and other receivables - current

	Group	
	2018 £'m	2017 £'m
Trade receivables	8.5	9.9
Prepayments and accrued income	21.1	22.1
	29.6	32.0

The Company is owed £30.1m by group undertakings at the period end (2017: £30.1m).

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Cash and cash equivalents

	Group	
	2018	2017
	£'m	£'m
Cash at bank and in hand	62.2	81.1

The Company has no cash and cash equivalents.

The effective interest rate on short-term deposits entered into in the financial period was 0.60% (2017: 0.54%) and these deposits have an average maturity period of 1 day (2017: 1 day). All short-term deposits had matured at 24 February 2018 (2017: all). The Group's cash and cash equivalents are denominated in sterling, US dollars and Euros.

17. Financial liabilities – borrowings

	Group	
	2018	2017
	£'m	£'m
Non current		
6.75% First Lien Secured Notes (net of £4.4m issue costs (2017: £nil)) maturity date 2023	(345.6)	-
9.5% Second Lien Secured Notes (net of £1.7m issue costs (2017: £nil)) maturity date 2024	(128.3)	-
	-	(340.1)
6.875% First Lien Secured Notes (net of £1.9m issue costs) maturity date 2019		
8.875% Second Lien Secured Notes (net of £0.9m issue costs) maturity date 2020	-	(137.1)
	(473.9)	(477.2)

The Company has no borrowings.

Borrowings are all denominated in sterling at 24 February 2018. The Group had no short-term borrowings during the period (2017: £nil). In the period the Group issued £350m First Lien Secured Notes and £130m Second Lien Secured Notes due 2023 and 2024 respectively. Issue costs of £6.2m were incurred and are being amortised over the terms of the facilities. Further details can be found in note 29.

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.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial liabilities – borrowings (continued)

Maturity of Secured Notes

	Group	
	2018	2017
	£'m	£'m
Less than one year	-	-
One to five years	350.0	480.0
Five to ten years	130.0	-
	480.0	480.0
Unamortised issue costs	(6.1)	(2.8)
	473.9	477.2
Current	-	-
Non current	473.9	477.2
	473.9	477.2

Borrowing facilities

At 24 February 2018 the table below reflects the usage of the RCF (revolving credit facility). These facilities are subject to an annual review and incur fees at market rates.

	Group	
	2018	2017
	£'m	£'m
Letters of credit	2.9	3.3
Guarantees	8.3	8.3
Unused	38.8	38.4
	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 are guaranteed by the assets of the guarantor group.

18. Trade and other payables - current

	Group	
	2018	2017
	£'m	£'m
Trade payables	(83.8)	(77.0)
Other tax and social security payables	(14.9)	(13.0)
Other creditors	(10.2)	(7.1)
Accruals	(40.7)	(42.5)
Deferred income	(5.0)	(5.1)
Dividends payable	(0.3)	(0.3)
	(154.9)	(145.0)

The Company owes group undertakings £60.3m at the period end (2017: £60.3m). Amounts owed to group undertakings are repayable on demand and therefore presented as current.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Trade and other payables – non-current

	Group	
	2018	2017
	£'m	£'m
Accruals and deferred income	(40.9)	(42.9)

The Company has no non-current trade and other payables.

20. Derivative financial instruments

Group	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	£'m	£'m	£'m	£'m
Forward foreign exchange contracts	2.6	(47.4)	71.5	(0.4)
Total	2.6	(47.4)	71.5	(0.4)
Less non-current portion:				
Forward foreign exchange contracts	0.2	(22.0)	11.5	(0.4)
Non-current portion	0.2	(22.0)	11.5	(0.4)
Current portion	2.4	(25.4)	60.0	-

The Company has no derivative financial instruments.

The amount that was recognised in the Statement of Comprehensive Income during the period net of tax was £(87.7)m (2017: £(4.3)m). The amount that was transferred from equity to profit and loss in the period was £0.3m (2017: £0.3m). The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to £nil (2017: £nil).

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 24 February 2018 was £695.1m (2017: £518.6m).

The total principal value of forward foreign exchange contracts is due to mature as follows:

Group	2018	2017
	£'m	£'m
Maturing within one year	363.4	282.6
Maturing between one to two years	331.7	236.0
	695.1	518.6

The net fair value of losses as at 24 February 2018 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £44.8m (2017: gains of £71.1m). 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)

20. Derivative financial instruments (continued)

The fair value of open forward foreign exchange contracts is due to mature as follows:

Group	2018 £'m	2017 £'m
Maturing within one year	(23.0)	60.0
Maturing between one to two years	(21.8)	11.1
Maturing between two and five years	-	-
	(44.8)	71.1

21. Provisions for other liabilities and charges

Group	Onerous contracts £'m	Total £'m
At 26 February 2017	(2.2)	(2.2)
Utilised in the period	0.6	0.6
Charged to the income statement	(0.1)	(0.1)
At 24 February 2018	(1.7)	(1.7)
	2018 £'m	2017 £'m
Analysis of total provisions:		
Non-current	(1.2)	(1.7)
Current	(0.5)	(0.5)
	(1.7)	(2.2)

During the previous periods, provisions for onerous leases were recognised. These provisions were treated as exceptional and are being released over the remaining life of the lease. 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.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Share capital and reserves

Ordinary share capital

Group and Company	10p 'A' ordinary shares Number	Total value £'m	10 p 'B' ordinary shares Number	Total value £'m	5p 'B1' ordinary shares Number	Total value £'m	5p 'B2' ordinary shares Number	Total value £'m
Issued and fully paid								
At 27 February 2016	172,763,695	17.3	164,000	-	136,000	-	136,000	-
At 25 February 2017	172,763,695	17.3	164,000	-	136,000	-	136,000	-
At 24 February 2018	172,763,695	17.3	164,000	-	136,000	-	136,000	-

Reserves

Merger reserve

In accordance with merger accounting principles, the shares issued in connection with the scheme of arrangement to Matalan Finance plc created the merger reserve at the time of issue.

Hedge reserve

The hedge reserve of a £36.0m loss (2017: £51.7m gain) comprises the effective portion of the cumulative net change in fair value of qualifying cash flow hedging instruments relating to hedged transactions, which have not yet occurred.

Capital redemption reserve

The capital redemption reserve of £5.7m (2017: £5.7m) comprises the cost over the nominal value of the Company's ordinary 10p shares purchased at market value and then cancelled in 2011 (£1.1m) and the value of the 'A' shares repurchased in 2011 (£4.6m).

Warrant reserve

Warrants to subscribe for 0.75% of the issued 'A' ordinary shares in the Company were granted on 22 December 2006. The warrants have an exercise price of 10p per share. The warrants are exercisable on the earlier of a change in control of the Group, repayment of the PIK debt and liquidation. The fair value of the warrants was valued at the date of grant using a Black Scholes model and spread across the expected term, with the resulting charge accounted for as a finance cost. The key inputs into the valuation were: fair value at grant date of £2, expected volatility of 40%, expected term of 5 years, expected dividend yield of nil and a risk free interest rate of 5.66%. The volatility assumption of 40% was based upon historic volatility data. The fair value of the total number of warrants was calculated at £3.1m. The remaining unamortised charge was accelerated when the PIK debt was repaid on 30 March 2010. £1.1m was charged to exceptional refinancing costs during 2011. The warrants have not yet been exercised.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Share capital and reserves (continued)

B share subscription agreement

Agreements to subscribe for 300,000 B shares in the Company were agreed with selected individuals at the date of acquisition. The agreements provide that B shareholders will participate in the increase in fair value of the Group from the date of merger with Matalan Limited (formerly Matalan plc) and until either a specified exit event or liquidation occurs. The agreements have been treated as a share based payment transaction in accordance with IFRS 2. The fair value of the subscription agreement was valued at the date of the agreement using a Black Scholes model and spread across the expected term of the agreement, reviewed at each Balance Sheet date, with the resulting charge/(credit) accounted for as an employee expense. The key inputs into the original valuation were: expected volatility of 40%, expected term of 5 years, expected dividend yield of nil and risk free interest rate of 5.66%. The volatility assumption of 40% was based upon historic volatility data. The fair value of each subscription was calculated at £38.45 per share.

The charge in the period was £0.3m (2017: £0.3m).

The full disclosures required under IFRS 2 have not been included as the value of these employee benefits is not deemed to be material to the Group.

23. Cash flows from operating activities

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

	Group	
	2018	2017
	£'m	£'m
Cash generated from continuing operations		
Operating profit	72.1	46.1
Adjustments for:		
Depreciation	23.4	22.5
Amortisation of intangibles	7.2	6.6
Goodwill impairment	-	0.9
Loss on disposal of property, plant and equipment	-	0.1
Non cash exceptional items	0.4	1.3
Share based compensation charge	0.3	0.3
Hedge accounting	0.1	0.1
Operating cash flows before movements in working capital	103.5	77.9
Movements in working capital		
(Increase)/decrease in inventories	(5.7)	18.3
Decrease/(increase) in trade and other receivables	3.5	(4.3)
Increase/(decrease) in trade and other payables	19.9	(10.0)
Net cash flows from operating activities	121.2	81.9

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Reconciliation of net debt

Net debt incorporates borrowings (together with related fair value movements of derivatives on the debt), less cash and cash equivalents.

Group	Net debt at 25 February 2017	Cashflows	Non cash movements	Net debt at 24 February 2018
	£'m	£'m	£'m	£'m
Cash and cash equivalents	81.1	(18.9)	-	62.2
Debt due after 1 year	(477.2)	5.6	(2.3)	(473.9)
	(396.1)	(13.3)	(2.3)	(411.7)

The debt due after 1 year refers to the First and Second Lien Secured Notes that were issued during the year, following the redemption and full repayment of the previously existing notes. Further details can be found in note 29.

25. Operating lease commitments

At 24 February 2018 the Group had total future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2018 £'m	2017 £'m
Within one year	108.4	111.0
Between two and five years inclusive	395.4	412.6
Over five years	369.6	480.2
	873.4	1,003.8

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. Average remaining lease terms are 8 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Company had £nil operating lease commitments during the period (2017: £nil).

26. Capital commitments

The capital expenditure for the Group that has been contracted for but not provided at 24 February 2018 was £nil (2017: £1.5m). The Company has no capital commitments at 24 February 2018 (2017: £nil).

27. 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 17 are secured by fixed and floating charges on all the assets of the Group.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Related party transactions

The Company has a related party relationship with other group undertakings and with its directors and executive officers.

The Company is party to a group cash pooling arrangement with other group companies. The Company does not settle transactions in cash, instead amounts are settled by other group companies on its behalf with a corresponding adjustment to intercompany receivables/ payables. £nil was settled on its behalf in the period (2017: £0.2m). The balance of the related transactions outstanding at 24 February 2018 is £29.9m (2017: £29.9m).

The Company considers the Hargreaves family to be the ultimate controlling party. Key management is the directors of the Company. The compensation paid or payable to key management for employee services is included in note 6.

Ongoing related parties and transactions:

During the period, the Group leased its head office from a company associated with the Hargreaves family. On 23 November 2017, the Group purchased the remainder of the long leasehold tenure from that company at a cost of £32.6m including stamp duty and legal fees. The rental expenditure incurred in the period was £1.6m (2017: £2.1m), and there will be no further rental payments.

The Group purchased and provided IT services with a company that is associated with the Hargreaves family. The expenditure incurred in the period was £2.6m (2017: £3.3m) of which £nil was outstanding at 24 February 2018 (2017: £nil). The services provided to the company in the period totalled £0.1m (2017: £0.9m) of which a debtor of £nil was outstanding at 24 February 2018 (2017: £nil).

The Group purchased clothing for resale from companies associated with the Hargreaves family. Purchases in the period totalled £5.5m (2017: £2.2m) of which £0.2m was outstanding at 24 February 2018 (2017: £0.2m).

The Group used the clothing design services of companies associated with the Hargreaves family. The expenditure incurred in the period was £2.4m (2017: £2.2m) of which £0.1m was prepaid at 24 February 2018 (2017: £0.5m).

The Group incurred costs relating to the Hargreaves family and associated companies in the period of £0.2m, of which £nil was outstanding at 24 February 2018 (2017: £0.2m of which £nil was outstanding at 25 February 2017).

During the period a member of the Hargreaves family was paid £0.1m for consultancy services provided to the Group (2017: £0.1m).

All of the above transactions have taken place at levels not materially different to commercial terms.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Exceptional items

Exceptional items are comprised as follows:

	Group	
	2018	2017
	£'m	£'m
Restructuring costs	(1.4)	(0.7)
Onerous contract provision	0.1	-
EBT provision	(0.5)	-
Closure of SportingPro division - administrative costs	-	(1.1)
Exceptional items - administrative expenses	(1.8)	(1.8)
Financing (expense)/income	(14.8)	2.5
Exceptional items - finance income	(14.8)	2.5
Total exceptional items	(16.6)	0.7

Financing (expense)/income

In January 2018, the Group issued £350m First Lien secured notes due 2023 and £130m Second Lien unsecured notes due 2024. The proceeds of this offering were used to refinance in full the existing bond issues. Costs, fees and expenses in connection with the refinancing were paid out of cash reserves. These costs have been treated as exceptional in the year.

In the prior year, the Group repurchased and cancelled £12.0m of Second Lien Secured Notes at a purchase price of £9.4m, resulting in finance income of £2.5m, net of £0.1m of issue costs in relation to the bonds, which was treated as exceptional in the year.

Restructuring costs

Following a number of employment contracts being terminated in the period and incentives offered to new employees, restructuring costs of £1.4m (2017: £0.7m) have been incurred in the year.

EBT provision

A provision of £0.5m has been made in the current year for employment related tax liabilities arising due to an historical ongoing review of the value of the B shares sold to the EBT. This has been treated as exceptional in the year and is expected to be paid after the year end.

Onerous contract provision

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. It is reviewed annually to ensure the carrying value is correct resulting in the prior period release.

In the period, there was a £0.1m credit to exceptional items relating to a true-up of actual costs incurred during the year.

Closure of SportingPro division

The Group closed the SportingPro division in a prior year. During the 52 weeks ended 25 February 2017 the remaining assets were either disposed of, or where the assets were identified as no longer in use but yet to be disposed of, impairments on the carrying value of those were made. This amounted to £1.1m.

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Acquisition of NCI

In August 2017, the Group acquired an additional 25% interest in Matalan Direct Limited under its historic obligations for £0.4m in cash, increasing its ownership from 75% to 100%. The carrying amount of Matalan Direct Limited's net liabilities in the Group's financial statements on the date of acquisition was (£3.7m). The Group recognised a decrease in NCI of £0.9m and a decrease in retained earnings of £1.3m.

	£'m
Carrying amount of NCI acquired ((£3.7m) x 25%)	(0.9)
Fair value of consideration	0.4
A decrease in equity attributable to owners of the group	(1.3)

31. Principal subsidiary companies and ultimate controlling party

	Principal activity	Ownership	Country of incorporation
UK companies			
Matalan Finance Plc	Holding company	100%	England and Wales
Matalan Group Limited	Holding company	100%	England and Wales
Matalan Limited	Holding company	100%	England and Wales
Matalan Retail Limited	Retail	100%	England and Wales
Jonmar Limited	Property	100%	England and Wales
Matalan Holding Company Limited	Holding company	100%	England and Wales
Matalan Investments Limited	Holding company	100%	England and Wales
Matalan Travel Limited	Travel services	100%	England and Wales
HP01 Nominees Limited	Distribution	100%	England and Wales
Matalan Direct Limited	Retail	100%	England and Wales

Except for Matalan Group Limited, which is a wholly owned subsidiary of Missouri Topco Limited, all other companies are held via subsidiary undertakings.

The Directors regard the Hargreaves family as the ultimate controlling party throughout the period.