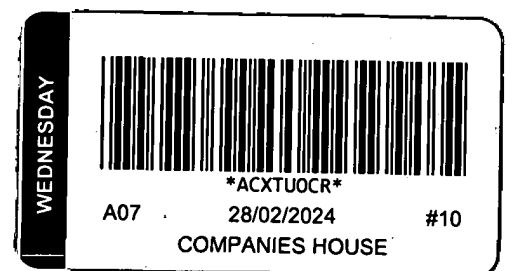


REGISTERED NUMBER: 01579910

MATALAN LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023**



MATALAN LIMITED

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MATALAN LIMITED

DIRECTORS AND ADVISORS

Directors

S M Hill

K-H Holland (appointed 27 March 2023)

J L Whitfield (appointed 28 March 2023)

P D Copley (appointed 23 September 2022)

J Pee (appointed 13 November 2023)

S R Johnson (resigned 26 July 2022)

J Hargreaves (appointed 24 August 2022 and resigned 25 September 2022)

N G Oddy (appointed 6 October 2022 and resigned 27 March 2023)

J R Brown (resigned 25 November 2022)

T K Issacs (appointed 1 September 2022 and resigned 26 January 2023)

D W C Mallon (appointed 1 September 2022 and resigned 28 March 2023)

Company Secretary

W G Lodder

Registered Office

Perimeter Road

Knowsley Industrial Park

Liverpool

L33 7SZ

Independent Auditor

Mazars LLP

Statutory Auditor

1 St Peter's Square

Manchester

M2 3DE

Solicitor

Clifford Chance LLP

10 Upper Bank Street

London

E14 5JJ

Banker

Lloyds Bank plc

King Street

Manchester

M2 4LQ

MATALAN LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023

The directors present their annual strategic report and the audited financial statements for the 52 weeks ended 25 February 2023.

Review of business

The principal activity of the Company is that of a holding company, which holds the investments in Matalan Group.

Results

The profit for the period was £255.5k (2022: £2.5k loss) and the Company has net assets of £96,998.7k (2022: £96,743.2k).

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 Company's finance department.

The principal risks facing the company are the recoverability of its investment and intercompany receivables. Its risks mirror those of the wider Matalan group headed by Maryland Holdco Limited (the Group). The Group (and therefore the Company) are exposed to the following risks:

COVID-19 – both the FY21 and FY22 financial statements were negatively impacted by the COVID-19 pandemic and the UK government restrictions in response, as well as the disruptions caused both to the worldwide economy and International logistics.

Throughout the pandemic, the Board took decisive actions to mitigate the risk and to manage the impact of COVID-19 on the Matalan business. These actions were implemented to significantly reduce costs and to enhance liquidity and included reductions in stock commitment, renegotiation of supplier payment terms, negotiated rent deferrals with our store landlords, and participation in the government's business rates holiday, Job Retention Scheme, and HMRC time to pay arrangements.

Since the ending of all COVID-19 related restrictions the business has managed to unwind all of the mitigating actions taken in response to the COVID-19 pandemic, including settlement of its HMRC time to pay arrangements, unwinding of a number of supplier term extensions, and repayment of all deferred rent in line with negotiated agreements with our store landlords.

At the time of writing, the threat of COVID-19 has been mitigated by the success of the worldwide vaccination programme and the entire Matalan store estate remains fully open with no further government restrictions in response to COVID-19 currently envisaged. Nevertheless, a resurgence in COVID-19 or the emergence of a new strain of the disease could potentially cause risks to materialise or come closer to materialising in any of the following risk areas.

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. This is extremely pertinent now with high levels of inflation across much of the world including the UK putting pressure on the cost of living. This is further compounded by the uncertainty caused in part by the war in Ukraine, and in part by a sharp rise in worldwide interest rates impacting consumer confidence.

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

MATALAN LIMITED

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

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. During the financial period, the Group has evolved its reporting around ESG, driven by the introduction of a sustainability team and Board representation on the Matalan ESG steering committee. This evolution is planned to continue through FY24 as the Group improves its transparency and reporting on ESG.

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 and 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 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.

Matalan successfully recapitalised its business during FY23 with the issuance of new debt notes, all of which have maturity dates falling in 2027 and beyond. Further details regarding this recapitalisation exercise are included in note 2.3.

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.

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 IFRS 9. 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.

MATALAN LIMITED

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

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

Following the successful recapitalisation exercise, the majority of the Group's long-term interest-bearing debt liabilities are subject to fixed rates of interest. This fixed rate debt structure significantly mitigates the interest rate risk faced by the Group.

Nevertheless, the £75m New Priority Notes issued as part of the recapitalisation exercise are exposed to variable rates of interest with the interest rate tied to SONIA. As a result, the Group is actively monitoring changes in interest rates and will seek to hedge this interest rate exposure if required.

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.


Brexit – as in previous years, the impact of Brexit on the Matalan Group is limited.

Over 97% of Group revenue is generated in the UK with most of our International sales realised in countries outside of the EU. The vast majority of our supply base are located in non-EU Countries, with whom the trading terms and tariffs are substantively unchanged as a result of Brexit.

Key Performance Indicators

The directors consider net assets to be the main financial KPI for the business.

By order of the board



S Hill
Director
Perimeter Road
Knowsley Industrial Park
Liverpool
L33 7SZ
26 February 2024

MATALAN LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2023

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 25 February 2023.

Directors

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

Results

The profit for the period was £255.5k (2022: £2.5k loss) and the Company has net assets of £96,998.7k (2022: £96,743.2k).

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

Details regarding the going concern status of the Company are included in note 2.3.

Political donations

The Company did not make any political donations in the current or prior period.

Dividends

The Company did not issue a dividend in the current or prior period.

Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 2.

MATALAN LIMITED

DIRECTORS' REPORT (CONTINUED)

Disclosure of information to the auditor

The directors who held office at the time of the approval of this directors' report confirm that:

- a) so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and
- b) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent auditor

Mazars LLP were appointed as auditor to the Company and in accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Mazars LLP will therefore continue in office.

By order of the board



S Hill
Director
Perimeter Road
Knowsley Industrial Park
Liverpool
L33 7SZ
26 February 2024

MATALAN LIMITED

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

The directors are responsible for preparing the Strategic Report, 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 law the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and accounting estimates that are reasonable and prudent;
- state whether UK-adopted International Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in UK-adopted International Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MATALAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATALAN LIMITED

Opinion

We have audited the financial statements of Matalan Limited (the 'Company') for the year ended 25 February 2023 which comprise the Income Statement, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Shareholders' Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at the 25 of February 2023 and of its profit for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

MATALAN LIMITED

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

MATALAN LIMITED

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

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, health and safety regulation, anti-money laundering regulation, data protection, anti-bribery and corruption and fraud.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year;
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls and determined that the principal risks related to posting manual journal entries to manipulate financial performance.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

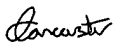
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

MATALAN LIMITED

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Charlene Lancaster (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars
One St Peter's Square
Manchester
M2 3DE
United Kingdom
26 February 2024

MATALAN LIMITED

INCOME STATEMENT

	Note	52 weeks ended 25 February 2023 £'000	52 weeks ended 26 February 2022 £'000
Operating profit pre-exceptional items		-	-
Exceptional items - administrative expenses	17	255.5	-
Operating profit		255.5	-
Finance costs	6	-	(2.5)
Profit/ (loss) before income tax	7	255.5	(2.5)
Income tax	8	-	-
Profit/ (loss) for the period		255.5	(2.5)

The Company has no other comprehensive income/ (expenditure) other than the profit for the period.

MATALAN LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 25 FEBRUARY 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Investments	9	13,284.7	13,284.7
Receivables	11	143,714.5	143,714.5
Total non-current assets		156,999.2	156,999.2
Current assets			
Receivables	10	0.1	0.1
Cash and cash equivalents	12	49.5	49.5
Total current assets		49.6	49.6
Total assets		157,048.8	157,048.8
Current liabilities			
Payables	13	(60,050.1)	(60,305.6)
Total current liabilities		(60,050.1)	(60,305.6)
Net assets		96,998.7	96,743.2
Capital and reserves			
Share capital	14	40,858.1	40,858.1
Share premium		2,029.3	2,029.3
Capital redemption reserve		1,186.0	1,186.0
Retained earnings		52,925.3	52,669.8
Total shareholders' equity		96,998.7	96,743.2

The financial statements on pages 12 to 27 were approved by the board of directors on 26 February 2024 and signed on its behalf by:



S Hill
Director

Matalan Limited
Registered number: 01579910

MATALAN LIMITED

STATEMENT OF CASH FLOWS

	Note	52 weeks ended 25 February 2023 £'000	52 weeks ended 26 February 2022 £'000
Cash flows generated from operations			
Profit/ (loss) before tax		255.5	(2.5)
Adjustments for:			
Finance costs	6	-	2.5
Operating cash flows before movements in working capital		255.5	-
Movements in working capital			
Decrease in receivables		-	4.4
Decrease in payables		(255.5)	-
Net cash generated from operations		-	4.4
Interest paid	6	-	(2.5)
Net cash generated from operating activities		-	1.9
Net increase in cash and cash equivalents		-	1.9
Cash and cash equivalents at the beginning of the period		49.5	47.6
Cash and cash equivalents at the end of the period		49.5	49.5

MATALAN LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
As at 28 February 2021	40,858.1	2,029.3	1,186.0	52,672.3	96,745.7
Comprehensive expenditure					
Loss for the period	-	-	-	(2.5)	(2.5)
As at 26 February 2022	40,858.1	2,029.3	1,186.0	52,669.8	96,743.2
As at 27 February 2022	40,858.1	2,029.3	1,186.0	52,669.8	96,743.2
Comprehensive income					
Profit for the period	-	-	-	255.5	255.5
As at 25 February 2023	40,858.1	2,029.3	1,186.0	52,925.3	96,998.7

Capital redemption reserve

The capital redemption reserve of £1.2m (2022: £1.2m) comprises the cost over the nominal value of the Company's ordinary 10p shares purchased at market value and then cancelled in 2011.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a private limited liability company and is incorporated and domiciled in England in the UK. The Company is limited by shares. The financial statements are presented in sterling, which is the Company's functional currency. All amounts presented in the financial statements have been rounded to the nearest £0.1k, unless otherwise stated. The address of its registered office 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 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 and approved by the directors in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRSs"). The financial statements have been prepared on a going concern basis under the historical cost convention.

The Company has taken advantage of the exemption, in accordance with Section 400 of the Companies Act 2006, not to prepare Group financial statement as the Company is a 100% owned subsidiary of a company which prepares Group financial statements that are publicly available. Accordingly, these financial statements represent the activities of the Company only.

2.2 New standards, amendments to standards or interpretations

The Company has adopted the following IFRSs in these financial statements:

New accounting standards in issue but not yet effective for accounting periods beginning on or after 1 January 2023

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Issued May 2021)

These do not have a material impact on the Company's financial statements.

2.3 Going concern

The financial statements have been prepared on a going concern basis which the directors of the Company consider to be appropriate for the following reasons.

The Company has net current liabilities of £60,000.5k (2022: £60,256.0k) and net assets of £96,998.7k (2022: £96,743.2k).

The Company is however reliant on trade with other entities under common ownership of Maryland Holdco Limited to continue as a going concern. The directors of the Company have reviewed the Maryland Holdco Limited Group cashflow forecasts in order to inform the Board's conclusions as to the ability of the Matalan Group and therefore the Company to have sufficient headroom to meet its liabilities as they fall due, and to allow it to operate as a going concern over a period of 12 months from the approval of the financial statements.

Following the Russian invasion of Ukraine in February 2022 and its severe impact on International geopolitics and economics, the period ended 25 February 2023 represented a challenging period for the Matalan business, with the cost-of-living crisis driving an unprecedented hit to living standards and consumer spending severely curtailed by interest rate hikes and spiralling energy costs.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2.3 Going concern (continued)

Despite the Matalan Group delivering strong revenue growth, the inflationary pressures faced by the business in terms of escalating inbound supply chain and staff costs severely impacted its level of performance. In addition, the deterioration in the currency exchange rate of sterling against the dollar and a need to significantly invest in promotional activity to stimulate sales volumes and to clear excess inventory meant the business saw a significant degradation in its level of profitability.

Despite the challenging conditions faced by the business and the negative impact on trading performance, the Matalan Group managed to successfully negotiate a significant deleveraging of its debt during the financial year, allowing the business to exit the financial year with a stronger and more resilient balance sheet.

As a result, as at 25 February 2023, the Group had strong liquidity including unrestricted cash and cash equivalents per the balance sheet, excluding restricted cash holdings, of £82.5m.

On 26 September 2022 the Matalan business commenced a strategic sales process of the Matalan Group, with this strategic sales process completing on 26 January 2023. As part of this process Maryland Bidco Limited, an indirect subsidiary of Maryland Holdco Limited, acquired the entire share capital of Matalan Finance Plc for £1. The recapitalisation exercise allowed for a significant deleveraging of the Matalan business with a reduction in Group debt of over £250m. The transaction delivered a de-leveraged and sustainable balance sheet for the Group, a substantial injection of new capital and an extended debt maturity runway to 2027 and beyond.

As part of the transaction, the new super senior loan of £60m, negotiated in July 2022, was repaid in full following the issuance of new Super Senior Notes of £61.2m with a maturity date of January 2027. The £350m 6.75% First Lien Secured Notes were replaced by the issuance of new Senior Secured Notes of £200m with a maturity date of January 2028. The £80m Second Lien Secured Notes were acquired by Maryland Bidco Limited for a nominal sum of £1 with the entirety of this debt released as part of the recapitalisation exercise. The £50m debt and associated PIK interest owed to the former shareholder was unconditionally released and discharged.

In addition, New Priority Notes of £75m with a maturity date of July 2027 were issued injecting additional liquidity into the Group. The injection of cash contributed to the strong Group liquidity held on the balance sheet at 25 February 2023.

All of these new classes of debt were issued along with the allocation of shares in the Group's new holding company Maryland Holdco Limited, resulting in a change of ownership of the Group and new ultimate controlling parties. The new shareholder group is led by an ad-hoc group of four large global investment institutions, with no one party owning more than 25% of the share capital. There are no performance related covenants linked to these new debt instruments.

The Group also managed to negotiate a level of additional optionality within the transaction to enable the injection of further liquidity into the Group should it be required. Should unrestricted cash be forecast to fall below £30m, the Group has the ability to draw-down against a further Super Senior facility with a committed value of £25m and a maturity date of January 2027. This facility is available for drawdown for up to six months after the transaction date, and was fully drawn down in June 2023.

The £200m Senior Secured Notes include an optional PIK toggle meaning that the Group has the ability, should the cashflow require it, to PIK the first four coupon payments. This would enable the business to retain up to £40m of additional liquidity within the business over the next two years if required.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2.3 Going concern (continued)

In addition, the business has negotiated additional debt basket capacity at the Super Senior and Priority levels which would allow the business to raise a further £40m of additional finance within the new debt structure, with lender approval. This provides the business with the flexibility it needs to manage any unforeseen downturn in economic and trading conditions.

Through this transaction, the Group has successfully addressed all of its short term debt maturities with no negative impact on the trade and business activities of the Group, with all of its 231 UK stores, 50 International stores, online business, colleagues and supplier relationships continuing.

Nevertheless, the Group continues to operate against a challenging economic backdrop caused in part by the rise in Cost of Living and in part by the economic uncertainty caused by the war in Ukraine and the subsequent rise in utility costs and interest rates.

As part of the directors' going concern assessment, we have therefore considered the potential impact of these factors on both inflation and consumer confidence. We believe the steps taken by management to shelter the business from rising costs, along with the Group's strategic position as a value retailer, will help the business manage these challenges.

The directors have assessed the Group cashflow forecasts in order to inform the board's conclusions as to the ability of the Group to have sufficient headroom to meet its liabilities as they fall due, and to allow its subsidiary undertakings to operate as a going concern over a period of 12 months from the approval of the financial statements. These forecasts include the FY25 budget with a focus on improved customer value, product choice, investment in store experience and a stronger online channel expected to enable a return to sales growth and the transformation plans and improved product value initiatives brought in by the new Senior Management Team enabling an improvement in EBITDA levels.

In response to the challenging macro-economic factors noted above, the Group's management have also considered a severe but plausible downside that business performance is significantly weaker than planned. This scenario assumes a 10% degradation in revenue driving a sales miss of over £120m. Based on this severe but plausible downside scenario the business has sufficient mitigating levers available to it through reducing capital expenditure, management of stock intake and the ability to PIK interest payment, to ensure that the business maintains sufficient cash headroom throughout the forecast period. As the Group loan indentures do not include any performance related covenants, this downside scenario does not trigger any detrimental debt related consequences.

Therefore, having done this assessment, and taken into account the facilities and liquidity levers now available to the Group, the Board has concluded that Maryland Holdco Limited and the wider Group, including Matalan Limited, has the liquidity it requires and will continue to have sufficient headroom to meet its liabilities in full over the next 12 months from the date of approval of these financial statements.

Taking all of the above matters into account, the directors believe it is reasonable to anticipate that the Group's capital structure and liquidity is sufficient to meet its requirements over the next 12 months and continue to provide support to all group companies including Matalan Limited. The directors have therefore concluded that it remains appropriate to adopt the going concern basis in the preparation of the Matalan Limited financial statements.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements applied will affect the reported values of assets, liabilities and expenses in the financial statements. Accounting estimates will, by definition, seldom equal the related actual results.

As at 25 February 2023, the Company has not applied any estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.5 Current income tax

Current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected.

2.6 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 financial statements and the tax bases of assets and liabilities. Temporary differences not provided include 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 income 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 tax assets are reduced to the extent it is no longer probable that the related income 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.

2.7 Finance income and expenditure

Financing expenses include interest payable, finance charges on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

2.8 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits.

2.9 Dividends

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

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.10 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. Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 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.

2.13 Payables

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

2.14 Impairment

Trade receivables, intercompany receivables and other receivables are recorded at transaction price and subsequently measured at amortised cost.

Where applicable other financial assets, including short term investments with a maturity date of over 90 days are classified as either fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). There were no such assets on the balance sheet at the financial period end.

Trade receivables, intercompany receivables and other receivables are measured at amortised cost and assessed for impairment based on the credit risk of these assets. The impairment for credit risk is recognised on an expected credit loss model based on management's expectation of losses without regard to whether an impairment trigger happened or not.

Over 99.9% of the Company's total receivables are inter-company balances. Therefore, the credit risk of the Company is significantly reduced as these balances are supported by the Group. As a result, the overall credit risk of trade and other receivables is low.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument') has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables, other receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.14 Impairment (continued)

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency S&P.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2.15 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

3. Financial risk management

The financial risk management of the Company is managed by the Group. The Company's activities expose it to credit risk and liquidity risk. The Company's risk management is managed by the Group programme that focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

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.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

3.1 Credit risk

Over 99.9% of outstanding receivables balances held by the Company are inter-company balances. Therefore, the credit risk of the Company is significantly reduced as these balances are supported by the Group.

The expected credit loss recognised against these inter-company balances is disclosed below:

	Expected credit loss £'000
At 26 February 2022	(722.2)
Charged in the year	-
At 25 February 2023	(722.2)

3.2 Liquidity risk

Liquidity risk is managed on a Group basis.

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.

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 inter-company receivables / payables.

Financial assets

	Fair value through profit or loss		Amortised cost	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash and cash equivalents	-	-	49.5	49.5
Trade and other receivables	-	-	0.1	0.1
Amounts owed by group undertakings	-	-	143,714.5	143,714.5
Investments	13,284.7	13,284.7	-	-
Total financial assets	13,284.7	13,284.7	143,764.1	143,764.1

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts owed to group undertakings	-	-	(60,050.1)	(60,050.1)
Dividends payable	-	-	-	(255.5)
Total financial liabilities	-	-	(60,050.1)	(60,305.6)

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Directors' emoluments

The directors of Matalan Limited did not receive any remuneration for their services to the Company in the current or prior year. The total remuneration for the directors for their services to the Group is disclosed below:

	2023 £'m	2022 £'m
Aggregate emoluments and fees (including benefits in kind)	3.3	1.7
Termination benefits.	0.8	-
	<u>4.1</u>	<u>1.7</u>

The directors accrued £37k (2022: £37k) in defined contribution pension schemes during the year.

Amounts paid to the highest paid director:

	2023 £'m	2022 £'m
Short term employee benefits	1.0	0.6
Termination benefits	0.2	-
	<u>1.2</u>	<u>0.6</u>

5. Employee information

The Company had no employees during the period (2022: none).

6. Finance costs

	2023 £'000	2022 £'000
Finance costs and similar charges:		
Interest payable	-	(2.5)
Finance costs	<u>-</u>	<u>(2.5)</u>

7. Profit/ (loss) before income tax

The audit fee for the Company amounting to £2,000 (2022: £2,000) is borne by a fellow Group company. The total fee for the Group is £0.8m (2022: £0.3m). A detailed breakdown of all audit and non-audit fees payable to the auditor can be found in the financial statements of Maryland Holdco Limited.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Income tax

The income tax credit for the period is lower than (2022: higher than) the standard rate of corporation tax in the UK of 19% (2022: 19%). A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. On 24 May 2021 the increase in the corporation tax rate to 25% announced in the March 2021 Budget was substantively enacted (effective from 1 April 2023). This will increase the company's future current tax charge accordingly.

	2023 £'000	2022 £'000
Profit/ (loss) before income tax	255.5	(2.5)
Profit/ (loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	48.5	(0.5)
Effects of:		
Income not taxable	(48.5)	-
Expenses not deductible for tax purposes	-	-
Group relief surrendered	-	0.5
Total income tax expense in the period	-	-

Deferred income tax

The company has no recognised or unrecognised deferred income tax assets or liabilities at either the end of the current or prior period.

9. Investments

Cost and net book value	Investment in subsidiaries £'000
At 25 February 2023 and 26 February 2022	13,284.7

The Company holds a direct interest in the ordinary share capital of the following subsidiaries:

Name	Principal activity	Country of incorporation	% interest held and voting rights
Matalan Retail Limited	Retail	England and Wales	100
Matalan Travel Limited	Travel services	England and Wales	100
Matalan Investments Limited	Holding company	England and Wales	100
Matalan AF Limited	Dormant	England and Wales	100
HP01 Nominees Limited	Distribution	England and Wales	100
Matalan Holding Company Limited	Holding Company	England and Wales	98.75
Matalan Direct Limited	Dormant	England and Wales	100

All of the above companies have the following registered address: Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ

The directors believe that the book value of the investments are supported by the underlying net assets and the future discounted cash flows of the trading subsidiaries of the investments. The investments have a coterminous year end with the Company.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Receivables – current

	2023	2022
	£'000	£'000
Trade receivables	0.1	0.1
	0.1	0.1

11. Receivables – non-current

	2023	2022
	£'000	£'000
Amounts owed by group undertakings	143,714.5	143,714.5
	143,714.5	143,714.5

Amounts owed by group undertakings are presented within non-current assets on the basis that there is currently no intention for the Company to seek the settlement of the balance in the next 12 months.

12. Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash at bank and in hand	49.5	49.5

13. Payables

	2023	2022
	£'000	£'000
Amounts owed to group undertakings	(60,050.1)	(60,050.1)
Dividends payable	-	(255.5)
	(60,050.1)	(60,305.6)

Amounts owed to group undertakings are repayable on demand and therefore presented as current.

14. Share capital

	10p ordinary shares number	Total value £'m
Issued and fully paid		
As at 25 February 2023 and at 26 February 2022	408,581,386	40.9

15. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all company bank accounts. Group bank facilities are secured by fixed and floating charges on all the assets of the guarantor group.

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Related party transactions

The Company has a related party relationship with other group undertakings, its parent company and with its directors and executive officers. During the financial period the Company entered into transactions, in the ordinary course of business, with other related parties as follows:

	2023 £'000	2022 £'000
Transactions with other group undertakings:		
Finance costs	-	2.5
	-	2.5
	2023 £'000	2022 £'000
Amounts owed to parent	(59,903.6)	(59,903.6)
Amounts owed to group undertakings	(146.5)	(146.5)
Amounts owed by group undertakings	143,714.5	143,714.5

The Company has entered into a 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 inter-company receivables/payables. No transactions were settled by another Group company on behalf of the Company during the period.

For the period up to 26 January 2023, the Company classed the Hargreaves family as the ultimate controlling party. The successful strategic sales process and the sale of Matalan Finance Plc to Maryland Bidco Limited resulted in a change of ownership of the Group and new ultimate controlling parties. The new shareholder group is led by an ad-hoc group of four large global investment institutions, with no one party owning more than 25% of the share capital.

17. Exceptional items

Exceptional items are comprised as follows:

	2023 £'000	2022 £'000
Dividend release	255.5	-
Exceptional items – administrative expenses	255.5	-
Total exceptional items	255.5	-

Dividend release

During the period a legacy dividend liability relating to the period prior to the privatisation of the Company in 2006 was released, as any residual liability in relation to the dividend was deemed to have lapsed. This resulted in a gain to the income statement of £255.5k (2022: £nil).

MATALAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Ultimate parent company

The directors regard Matalan Finance plc a company registered in England and Wales, as the immediate parent company. According to the register kept by the Company, Matalan Finance plc has a 100% interest in the equity capital of Matalan Limited at 25 February 2023. The company's registered address is Matalan Finance plc, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

For the period to 26 January 2023, the directors regarded Missouri Topco Limited, a company registered in Guernsey, as the ultimate parent company. The company's registered address is Missouri Topco Limited, 1st Floor, Tudor House, Le Bordage, St Peter Port, Guernsey, GY1 1DB.

As part of the strategic sales process, Maryland Bidco Limited, an indirect subsidiary of Maryland Holdco Limited, acquired the entire share capital of Matalan Finance Plc on 26 January 2023. From that date, Maryland Holdco Limited, a company registered in Jersey, became the ultimate parent company. The company's registered address is Maryland Holdco Limited, 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey, JE1 4TR.

For the period up to 26 January 2023, the Company regarded the Hargreaves family as the ultimate controlling party. The successful strategic sales process on 26 January 2023 resulted in a change of ownership of the Group and new ultimate controlling parties. The new shareholder group is led by an ad-hoc group of four large global investment institutions, with no one party owning more than 25% of the share capital.

Maryland Holdco Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 25 February 2023. The consolidated financial statements of Maryland Holdco Limited are available from Matalan, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.