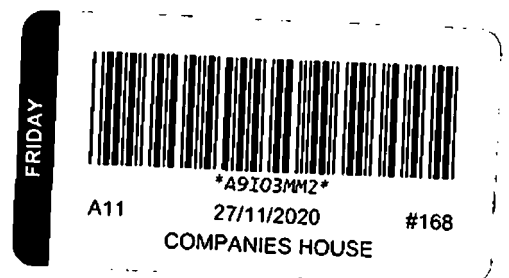


REGISTERED NUMBER: 01274137

HPO1 NOMINEES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 29 FEBRUARY 2020



HPO1 NOMINEES LIMITED

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HPO1 NOMINEES LIMITED

DIRECTORS AND ADVISERS

Directors

J N Mills (resigned 31 July 2020)
J J Hargreaves (resigned 14 September 2020)
S Hill
G Pateras (resigned 31 July 2020)
J R Brown (appointed 14 September 2020)

Company Secretary

W G Lodder

Registered Office

Perimeter Road
Knowsley Industrial Park
Liverpool
L33 7SZ

Independent Auditor

KPMG LLP
Statutory Auditor
1 St Peter's Square
Manchester
M2 3AE

Solicitor

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Banker

Lloyds Bank plc
King Street
Manchester
M2 4LQ

HPO1 NOMINEES LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2020

The directors present their annual strategic report and the audited financial statements for the 53 weeks ended 29 February 2020.

Review of business

The Company continues to provide warehouse and distribution services to other group companies.

Results

The profit for the period was £471k (2019: £591k) and the Company has net assets of £8,263k (2019: £7,792k).

Principal risks and uncertainties

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

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

Foreign Exchange Risk – The Group, being the group of companies headed by Missouri Topco Limited of which the Company is part of, and therefore the Company, is exposed to the risk of fluctuating foreign exchange rates. 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.

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.

COVID-19

At the time of writing the global spread of COVID-19 has caused widespread consumer and economic disruption. Within the UK all stores selling items deemed to be non-essential were required to close on 24 March 2020 with English and Northern Irish stores gradually reopening from 18 May 2020, a closure period of 8 weeks. The Group's Scottish stores commenced reopening, also ahead of the wider unlocking of retail in Scotland on 12 June 2020. The online channel was able, following appropriate precautions being taken, to trade through the store closure period. The Board took immediate action to mitigate the impacts of the store closures as far as possible which included reducing stock commitments, costs and capital expenditure, and accessing all available Government support including business rates relief, the Coronavirus Job Retention Scheme and Coronavirus Large Business Interruption Loan Scheme.

By order of the board



S Hill

Director

Perimeter Road,
Knowsley Industrial Park
Liverpool
L33 7SZ
24/11/2020

HPO1 NOMINEES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2020

The directors present their report for the period ended 29 February 2020.

Directors

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

Principal activities

The principal activity of the Company is the provision of warehouse and distribution services to other group companies. The Company expects to continue as such going forward.

Results

The profit for the period was £471k (2019: £591k) arising from the management fee charged by the Company to Matalan Retail Limited for the management of the Corby Distribution Centre. The Company has net assets of £8,263k (2019: £7,792k).

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

The Company is reliant on intercompany trade. As a result of the impact of COVID-19 on the Group's post year end trading, the Group has recently raised additional finance to provide further liquidity. This exercise involved extensive due diligence on the Group's three-year forecasts which encompassed a range of trading scenarios. As a result of this 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 regarding the borrowings held by the Group and the revolving credit facility of £50m available but not drawn upon at year end are provided in the financial statements of Missouri Topco Limited.

Based on the new funding in place and the Group's three-year forecasts, the directors have concluded that the Group and the Company has and will continue to have sufficient headroom to meet its liabilities in full over the next 12 months. As such the directors have concluded that it remains appropriate to adopt the going concern basis in the preparation of these financial statements.

Further details regarding the going concern status of the Group and the Company are included in note 2.3. This note also considers the potential impact of varying levels of further disruption during the winter of 2020, including a severe but plausible downside trading scenario arising from the COVID-19 pandemic whereby Matalan's entire store estate is forced to close for the duration of November and December 2020.

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.

HPO1 NOMINEES 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 to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S Hill
Director
Perimeter Road
Knowsley Industrial Park
Liverpool
L33 7SZ
24/11/2020

HPO1 NOMINEES LIMITED

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

The directors are responsible for preparing the Strategic Report, 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 law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's 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 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 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HPO1 NOMINEES LIMITED

Opinion

We have audited the financial statements of HPO1 Nominees Limited ("the company") for the 53 week period ended 29 February 2020 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows, and 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 company's affairs as at 29 February 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2.3 to the financial statements which indicates that the ability of the Company to continue as a going concern is dependent on the external lender not calling in the debt owing to it in the event of the Group and parent Company, in a severe but plausible downside scenario, breaching its covenant. These events and conditions, along with the other matters explained in note 2.3, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our audit opinion is not modified in this respect

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HPO1 NOMINEES LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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 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 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 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.

Andrew Reddington (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
25th November 2020

HPO1 NOMINEES LIMITED**INCOME STATEMENT**

	Note	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Revenue		11,570	13,945
Cost of sales		(11,008)	(13,059)
Gross profit		562	886
Administrative expenses		(11)	(222)
Operating profit		551	664
Profit before income tax	6	551	664
Income tax charge	7	(80)	(73)
Profit for the period		471	591

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

HPO1 NOMINEES LIMITED**STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020**

	Note	2020 £'000	2019 £'000
Non current assets			
Property, plant and equipment	8	7,732	8,273
Intangible assets	9	21	65
Total non current assets		7,753	8,338
Current assets			
Receivables	10	1,132	700
Total current assets		1,132	700
Total assets		8,885	9,038
Current liabilities			
Payables	11	(82)	(276)
Total current liabilities		(82)	(276)
Non current liabilities			
Payables	12	-	(510)
Deferred income tax liabilities	7	(540)	(460)
Total non current liabilities		(540)	(970)
Total liabilities		(622)	(1,246)
Net assets		8,263	7,792
Capital and reserves			
Share capital	13	10	10
Retained earnings		8,253	7,782
Total shareholders' equity		8,263	7,792

The financial statements on pages 8 to 24 were approved by the board of directors on 24/11/2020 and signed on its behalf by:



S Hill
Director

HPO1 Nominees Limited
Registered number: 01274137

HPO1 NOMINEES LIMITED**STATEMENT OF CASH FLOWS**

	Note	53 weeks ended 29 February 2020 £'000	52 weeks ended 23 February 2019 £'000
Profit after tax		471	591
Adjustments for:			
Tax	7	80	73
Depreciation	8	578	621
Amortisation	9	44	167
Operating cash flows before movements in working capital		1,173	1,452
Movements in working capital:			
Increase in receivables		(431)	(305)
Decrease in payables		(704)	(171)
Working capital movements		(1,135)	(476)
Net cash generated from operating activities		38	976
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(38)	(976)
Net cash used in investing activities		(38)	(976)
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-

HPO1 NOMINEES LIMITED**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital £'000	Retained Earnings £'000	Total equity £'000
As at 25 February 2018	10	7,191	7,201
Comprehensive income			
Profit for the period	-	591	591
As at 23 February 2019	10	7,782	7,792
As at 24 February 2019	10	7,782	7,792
Comprehensive income			
Profit for the period	-	471	471
As at 29 February 2020	10	8,253	8,263

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a private limited company and is incorporated and domiciled in the UK. 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 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 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention.

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. There are no areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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 have had a material impact on the Company.

The Company has adopted the following standards and statements. The adoption of these standards has not had a material impact on the Company's accounts:

- IFRS 16 Leases
- IFRIC 23: Uncertainty over Income Tax Treatments.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures.
- Amendments to IFRS 9: Prepayments Features with Negative Compensation.
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

2.3 Going concern

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

The company has net current assets of £1,050k (2019: £424k) and net assets of £8,263k (2019: £7,792k).

The company is reliant on trade with other entities under common ownership of Missouri Topco Limited to continue as a going concern. As a result of the impact of the global pandemic, COVID-19, the Directors of those entities have undertaken an assessment of the going concern assumption using the base case financial forecasts and considering plausible downside scenarios for the entities to which the Company provides services to for a period of twelve months from the date of approval of these financial statements. The assumptions included in the severe but plausible downside scenario include that Matalan's entire store estate is forced to close for the duration of November and December 2020, with a further period of depressed trading immediately following.

HPOI NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Going concern (continued)

The Directors have reviewed the forecasts of these entities and have concluded that there is a material uncertainty in the event of an extreme and prolonged lockdown during the peak trading period. This scenario is considered highly unlikely in that it both covers all of the peak annual trading period and would also require a change in current government guidance. However, the ability of Missouri Topco Limited to continue to provide this support is dependent on in such a scenario, Missouri Topco Limited obtaining a waiver or further variation of terms with the banking facility lenders, who have been consistently supportive of the business throughout this period. In these circumstances the directors would need the banks approval to this request and, despite the collaborative support provided to date the Missouri Topco Limited Board can not automatically presume the lenders' agreement.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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, revenues and expenses in the financial statements. Accounting estimates will, by definition, seldom equal the related actual results.

As at the 29 February 2020, 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 Revenue

Revenue, which is net of returns and excludes value added tax and trade discounts, represents the value of services supplied, recognised on an accruals basis. Current and non-current deferred income arises from rent free periods and reverse premium incentives received on property leases which are held on the statement of financial position and released over the period of the lease. All revenue is within the United Kingdom and is derived from continuing operations.

2.6 Intangible assets

Software, licences and IT consultancy are capitalised as intangible assets where they are not an integral part of the related hardware at purchase cost and amortised to the income statement on a straight line basis over their estimated useful economic life which is generally 3 to 10 years.

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.7 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 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 equipment	3 – 10 years
Motor and commercial 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 disposal are determined by comparing the proceeds with the carrying amount and are recognised net in the income statement.

2.8 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.

2.9 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.

2.10 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 amounts used for tax purposes. 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.

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 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.

2.14 Payables

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

2.15 Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI.

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 and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables with significant financing component are measured using the general model described above.

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.

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.

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.15 Impairment (continued)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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.

2.16 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 a variety of financial risks: 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.

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

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

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

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.

3.1 Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions 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.

Management does not expect any losses from non-performance by counterparties. The main counterparties dealt with in the period by the Group include Lloyds Bank plc and Barclays Bank plc.

The majority of receivables 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.

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.

Management monitors rolling forecasts of the Group's liquidity reserve comprising borrowing facilities and cash and cash equivalents 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 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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	-	-	1,065	377
Total Financial assets	-	-	1,065	377

Financial liabilities	Fair value through profit or loss		Amortised cost	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Accruals	-	-	(82)	(226)
Total Financial liabilities	-	-	(82)	(226)

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Directors' emoluments

The directors of HPO1 Nominees 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:

	2020 £'m	2019 £'m
Aggregate emoluments and fees (including benefits in kind)	1.7	1.7
Performance bonuses and other emoluments	-	0.9
	<u>1.7</u>	<u>2.6</u>

Amounts paid to the highest paid director:

	2020 £'m	2019 £'m
Aggregate emoluments	0.6	0.6
Performance bonuses and other emoluments	-	0.4
	<u>0.6</u>	<u>1.0</u>

5. Employee information

The Company had no employees during the period (2019: none).

6. Profit before income tax

	2020 £'000	2019 £'000
Profit before income tax is stated after charging:		
Depreciation of property, plant and equipment	578	621
Amortisation of intangible assets	44	167
Operating lease rentals	-	1,846

The audit fee for the Company amounting to £2,000 (2019: £2,000) is borne by a fellow group company. The total fee for the Group is £0.2m (2019: £0.2m). A detailed breakdown of all audit and non-audit fees payable to the auditor can be found in the financial statements of Missouri Topco Limited.

HPO1 NOMINEES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. Income tax****Analysis of the income tax charge in the period:**

	2020 £'000	2019 £'000
Current income tax		
UK corporation tax	-	-
Deferred income tax		
Originating and reversal of timing differences	42	76
Adjustment in respect of prior periods	38	(3)
Total income tax expense	80	73

The income tax expense for the period is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The rate of corporation tax is based on a weighed 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. The reduction to 17% was withdrawn following publication of the Finance Bill on 19 March 2020. The deferred tax assets and liabilities at 29 February 2020 have been calculated based on the previously enacted rate of 17%.

	2020 £'000	2019 £'000
Profit before income tax	551	664
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	105	126
Effects of:		
Expenses not deductible for tax purposes	29	32
Change in rate of deferred tax income	(5)	(9)
Group relief received for nil payment	(87)	(73)
Adjustments to tax in respect of prior periods	38	(3)
Total income tax expense	80	73

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Income tax (continued)

Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2019: 17%).

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

	£'000
As at 25 February 2018	(387)
Debited to the income statement in the period	(73)
As at 23 February 2019	(460)
As at 24 February 2019	(460)
Debited to the income statement in the period	(80)
As at 29 February 2020	(540)

The deferred income tax liability, which is attributable to capital allowances in excess of depreciation, is expected to be payable after more than one year.

HPO1 NOMINEES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8. Property, plant and equipment**

	Alterations to leasehold premises £'000	Motor and commercial vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 25 February 2018	16,092	37	9,354	25,483
Additions	122	-	854	976
At 23 February 2019	16,214	37	10,208	26,459
At 24 February 2019	16,214	37	10,208	26,459
Additions	10	5	22	37
At 29 February 2020	16,224	42	10,230	26,496
Accumulated depreciation				
At 25 February 2018	9,136	37	8,392	17,565
Charge for the period	387	-	234	621
At 23 February 2019	9,523	37	8,626	18,186
At 24 February 2019	9,523	37	8,626	18,186
Charge for the period	357	1	220	578
At 29 February 2020	9,880	38	8,846	18,764
Net book value at 29 February 2020	6,344	4	1,384	7,732
Net book value at 23 February 2019	6,691	-	1,582	8,273
Net book value at 24 February 2018	6,956	-	962	7,918

Depreciation is charged to cost of sales in the income statement.

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Intangible assets

	Software, licenses and IT consultancy £'000
Cost	
At 25 February 2018	8,048
At 23 February 2019	8,048
At 24 February 2019	8,048
At 29 February 2020	8,048
Accumulated amortisation	
At 25 February 2018	7,816
Charge for the period	167
At 23 February 2019	7,983
At 24 February 2019	7,983
Charge for the period	44
At 29 February 2020	8,027
Net book value at 29 February 2020	21
Net book value at 23 February 2019	65
Net book value at 24 February 2018	232

Amortisation is charged to administrative expenses in the income statement.

10. Receivables

	2020 £'000	2019 £'000
Amounts owed by group undertakings	1,065	377
Prepayments and accrued income	67	323
	1,132	700

HPO1 NOMINEES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. Payables - current**

	2020	2019
	£'000	£'000
Accruals	(82)	(226)
Deferred income	-	(50)
	(82)	(276)

12. Payables – non-current

	2020	2019
	£'000	£'000
Deferred income	-	(510)

13. Share capital

	2020	2019
	£'000	£'000
Issued and fully paid		
10,000 (2018: 10,000) ordinary shares of £1 each	10	10

14. 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.

15. 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:

	2020	2019
	£'000	£'000
Transactions with fellow group undertakings:		
Fixed assets paid by other group undertakings	84	(975)
Operating expenses paid by other group undertakings	(10,966)	(13,725)
Management fee owed by other group undertakings	11,570	13,945
	688	(755)
Amounts owed by parent	10	10
Amounts owed by group undertakings	1,055	367

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.

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Related party transactions (Continued)

Liabilities settled by other group companies on behalf of the Company under the cash pooling arrangement are as follows:

	2020 £'000	2019 £'000
Fixed assets on behalf of /(paid by) other group undertakings	84	(975)
Operating expenses paid by other group undertakings	(10,966)	(13,725)
	(10,882)	(14,700)

At the reporting date, the Directors of the Company and immediate relatives indirectly controlled 100% of the voting shares of the Company. The Company considers the Hargreaves family to be the ultimate controlling party. Key management is the directors of the Company. The directors' remuneration for their services to the Company has been borne by a fellow group company, as disclosed in note 4

16. Ultimate parent company

The directors regard Matalan Limited, a company registered in England and Wales, as the immediate parent company. According to the register kept by the Company, Matalan Limited has a 100% interest in the equity capital of HPO1 Nominees Limited at 29 February 2020. The company's registered address is Matalan Limited, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ. The directors regard 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. The Company regards the Hargreaves family as the ultimate controlling party throughout the period.

Missouri Topco is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 29 February 2020. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

17. Post balance sheet events

After the balance sheet date of 29 February 2020 the global pandemic caused by the COVID-19 virus occurred in the UK. This has been treated as a non-adjusting post balance sheet event. The Company has not been significantly impacted financially or operationally due to the pandemic, although the wider Matalan Group has been affected, as described in the Matalan Retail Limited statutory accounts.