

REGISTERED NUMBER: 01274137

HPO1 NOMINEES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021



HP01 NOMINEES LIMITED

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HPO1 NOMINEES LIMITED

DIRECTORS AND ADVISERS

Directors

S M Hill

J R Brown (appointed 14 September 2020)

J J Hargreaves (resigned 14 September 2020)

J N Mills (resigned 31 July 2020)

G V Pateras (resigned 31 July 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 27 FEBRUARY 2021

The directors present their annual strategic report and the audited financial statements for the 52 weeks ended 27 February 2021.

Review of business

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

Results

The profit for the period was £372k (2020: £471k) and the Company has net assets of £8,635k (2020: £8,263k).

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 principal risk facing the company is the recoverability of its investment and intercompany receivables. Its risks mirror those of the wider Matalan group headed by Missouri Topco Limited (the Group).

The risks below are the principal risks that may impact the Group (and therefore the Company) achieving its strategic objectives:

COVID-19

The COVID-19 pandemic and the UK government restrictions in response prompted three separate National lockdowns in the financial period ending 27th February 2021. During these lockdown periods all stores selling items deemed to be non-essential were mandated to close, prompting the closure of the entire Matalan store estate each time. These lockdowns were also interspersed by more localised and time-limited periods of restrictions as a result of the tiering systems adopted by the different UK nations. Our online offering has been able to trade throughout the period, with a level of the lost store revenues mitigated by significant growth in our e-commerce business. Nevertheless, during the financial period, Matalan has lost significant sums of revenue as a direct result of these Covid-19 restrictions.

As a result, the Board has taken and continues to take 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. The group also managed to successfully access additional funding through the issuance of new bond notes and new banking facilities via the CLBILS scheme.

At the time of writing, the entire Matalan store estate is now fully open following the unlocking of non-essential retail as part of the UK Government's roadmap out of lockdown.

Covid-19 could potentially cause risks to materialise or come closer to materialising in any of the following risk areas.

HPO1 NOMINEES LIMITED

STRATEGIC REPORT (CONTINUED)

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 principal currency with which the 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.

By order of the board



S Hill
Director
Perimeter Road,
Knowsley Industrial Park
Liverpool
L33 7SZ
24 November 2021

HPO1 NOMINEES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 27 FEBRUARY 2021

The directors present their report for the period ended 27 February 2021.

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 £372k (2020: £471k) 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 £8,635k (2020: £8,263k).

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 trading, the Group 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 are provided in the financial statements of Missouri Topco Limited.

Based on the new funding in place and the Group's forecasts to 2023, 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 2021, 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 2021 and January 2022.

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.

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 November 2021

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 year ended 27 February 2021 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 27 February 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 the successful refinancing of the Group, which itself is dependent on no further extended period of business disruption as a result of COVID-19 facing a material impact on the ability of the Group to trade from its stores estate during the remainder of FY22. 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 opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and other manager and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not

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

believe there is a fraud risk related to revenue recognition because of the simplistic and non-judgemental nature of the revenue and no incentive for management to manipulate the performance in the entity.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation; and
- Incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and liquidity and certain aspects of company legislation recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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 the 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 those reports have 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.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

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

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

24 November 2021

HPO1 NOMINEES LIMITED**INCOME STATEMENT**

	Note	52 weeks ended 27 February 2021 £'000	53 weeks ended 29 February 2020 £'000
Revenue		10,232	11,570
Cost of sales		(9,712)	(11,008)
Gross profit		520	562
Administrative expenses		(44)	(11)
Operating profit		476	551
Profit before income tax	6	476	551
Income tax charge	7	(104)	(80)
Profit for the period		372	471

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

HPO1 NOMINEES LIMITED**STATEMENT OF FINANCIAL POSITION AS AT 27 FEBRUARY 2021**

	Note	2021 £'000	2020 £'000
Non current assets			
Property, plant and equipment	8	7,328	7,732
Intangible assets	9	7	21
Total non current assets		7,335	7,753
Current assets			
Receivables	10	1,973	1,132
Total current assets		1,973	1,132
Total assets		9,308	8,885
Current liabilities			
Payables	11	(29)	(82)
Total current liabilities		(29)	(82)
Non current liabilities			
Deferred income tax liabilities	7	(644)	(540)
Total non current liabilities		(644)	(540)
Total liabilities		(673)	(622)
Net assets		8,635	8,263
Capital and reserves			
Share capital	12	10	10
Retained earnings		8,625	8,253
Total shareholders' equity		8,635	8,263

The financial statements on pages 11 to 27 were approved by the board of directors on 24 November 2021 and signed on its behalf by:



S Hill
Director

HPO1 Nominees Limited
Registered number: 01274137

HPO1 NOMINEES LIMITED**STATEMENT OF CASH FLOWS**

	Note	52 weeks ended 27 February 2021 £'000	53 weeks ended 29 February 2020 £'000
Profit after tax		372	471
Adjustments for:			
Tax	7	104	80
Depreciation	8	534	578
Amortisation	9	14	44
Operating cash flows before movements in working capital		1,024	1,173
Movements in working capital:			
Increase in receivables		(841)	(431)
Decrease in payables		(53)	(704)
Working capital movements		(894)	(1,135)
Net cash generated from operating activities		130	38
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles	8	(130)	(38)
Net cash used in investing activities		(130)	(38)
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 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
As at 1 March 2020	10	8,253	8,263
Comprehensive income			
Profit for the period	-	372	372
As at 27 February 2021	10	8,625	8,635

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 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 company financial statements have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). 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

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

- Amendments to IFRS9, IAS39 and IFRS7; Interest Rate Benchmark Reform has been adopted from 1 March 2020. This has been applied retrospectively to hedging relationships that existed at 1 March 2020 or were designed thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to any gain or loss accumulated in the cash flow hedging reserve that existed at 1 March 2020. The details of the accounting policies are disclosed in note 2.16. See also note 3 for related disclosures about risks and hedge accounting.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IAS 1 and IAS 8: Definition of Material.

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 assets of £1,944k (2020: £1,050k) and net assets of £8,635k (2020: £8,263k).

The company is however 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 2021 and January 2022.

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Going concern (continued)

It should be noted that this scenario is currently considered highly unlikely in that it both covers part of the peak annual trading period and would also require a significant change in current government policy in regard to further national lockdowns. In this scenario, the forecasts show the Group would have sufficient funds to continue to operate. The forecasts also show the Group having sufficient liquidity to pass all remaining applicable covenant tests going forwards.

The directors of the company have assessed the Group forecasts in order to inform the board's conclusions as to the ability of the Group to have sufficient headroom to meet its liabilities, and to ensure it can operate as a going concern over the next 12 months. Having done this, the board has concluded that the Group and hence this company have the liquidity they require and will continue to have sufficient headroom to meet their liabilities in full over the next 12 months from the date of approval of these financial statements.

Whilst the Group has no debt facilities expiring in the near future, the directors wish to draw attention to the fact that the Group has a number of significant facilities maturing between July 2022 and January 2023. Given the timescales involved, there is no immediate requirements to refinance, but the directors of the Group are nevertheless assessing the options around the potential future refinancing of these debts.

The Board believe that, based on Group forecasts and at its projected level of performance, that the Group will, when required to do so, be able to refinance these maturing facilities successfully. This ability is subject to there being no further extended period of business disruption as a result of COVID-19 having a material negative impact on the ability of the business to trade from its store estate during the remainder of FY22. The potential impact that further COVID related store closures might have on a future Group refinancing constitutes a material uncertainty that may cast significant doubt on the Group's and hence this company's ability to continue as a going concern, and to realise its assets and discharge its liabilities in the normal course of business.

Taking all of the above matters into account, the directors have concluded that it remains appropriate to adopt the going concern basis in the preparation of these financial statements. The financial statements therefore 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 27 February 2021, 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.

HPO1 NOMINEES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.6 Intangible assets

Software, licenses and IT consultancy are capitalised as intangible assets where they are not an integral part of the related hardware at purchases 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.

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 Group, and therefore the Company, is exposed to the risk of fluctuating 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.

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	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	-	-	1,915	1,065
Total Financial assets	-	-	1,915	1,065

Financial liabilities	Fair value through profit or loss		Amortised cost	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Accruals	-	-	(29)	(82)
Total Financial liabilities	-	-	(29)	(82)

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:

	2021 £'m	2020 £'m
Aggregate emoluments and fees (including benefits in kind)	2.4	1.7
	<u>2.4</u>	<u>1.7</u>

Amounts paid to the highest paid director:

	2021 £'m	2020 £'m
Aggregate emoluments	0.8	0.6
	<u>0.8</u>	<u>0.6</u>

5. Employee information

The Company had no employees during the period (2020: none).

6. Profit before income tax

	2021 £'000	2020 £'000
Profit before income tax is stated after charging:		
Depreciation of property, plant and equipment	534	578
Amortisation of intangible assets	14	44

The audit fee for the Company amounting to £2,000 (2020: £2,000) is borne by a fellow group company. The total fee for the Group is £0.3m (2020: £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:**

	2021	2020
	£'000	£'000
Current income tax		
UK corporation tax	-	-
Deferred income tax		
Originating and reversal of timing differences	41	42
Effect of change in income tax rates	64	-
Adjustment in respect of prior periods	(1)	38
Total income tax expense	104	80

The income tax expense for the period is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The rate of corporation tax is based on a weighed average rate. A UK corporation tax rate of 19% (effective 1 April 2020) was substantially enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 27 February 2021 has been calculated based on 19% (2020: 17%).

	2021	2020
	£'000	£'000
Profit before income tax	476	551
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	90	105
Effects of:		
Expenses not deductible for tax purposes	35	29
Change in rate of deferred tax income	64	(5)
Group relief received for nil payment	(84)	(87)
Adjustments to tax in respect of prior periods	(1)	38
Total income tax expense	104	80

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 on assets and liabilities using a tax rate of 19% (2020: 17% except for financial derivatives where deferred tax has been calculated using a tax rate of 19%). In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate had been substantially enacted at the current balance sheet date the deferred tax liability would have increased by £0.2m.

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

	£'000
As at 24 February 2019	(460)
Debited to the income statement in the period	(80)
<hr/> As at 29 February 2020	<hr/> (540)
As at 29 February 2020	(540)
Debited to the income statement in the period	(104)
<hr/> As at 27 February 2021	<hr/> (644)

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 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
At 29 February 2020	16,224	42	10,230	26,496
Additions	130	-	-	130
At 27 February 2021	16,354	42	10,230	26,626
Accumulated depreciation				
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
At 29 February 2020	9,880	38	8,846	18,764
Charge for the period	327	1	206	534
At 27 February 2021	10,207	39	9,052	19,298
Net book value at 27 February 2021	6,147	3	1,178	7,328
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

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 24 February 2019	8,048
At 29 February 2020	8,048
At 29 February 2020	8,048
At 27 February 2021	8,048
Accumulated amortisation	
At 24 February 2019	7,983
Charge for the period	44
At 29 February 2020	8,027
At 29 February 2020	8,027
Charge for the period	14
At 27 February 2021	8,041
Net book value at 27 February 2021	7
Net book value at 29 February 2020	21
Net book value at 23 February 2019	65

Amortisation is charged to administrative expenses in the income statement.

10. Receivables

	2021 £'000	2020 £'000
Amounts owed by group undertakings	1,915	1,065
Prepayments and accrued income	58	67
	1,973	1,132

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

	2021	2020
	£'000	£'000
Accruals	(29)	(82)
	(29)	(82)

12. Share capital

	2021	2020
	£'000	£'000
Issued and fully paid		
10,000 (2020: 10,000) ordinary shares of £1 each	10	10

13. 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.

14. 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:

	2021	2020
	£'000	£'000
Transactions with fellow group undertakings:		
Fixed assets paid by other group undertakings	(130)	84
Operating expenses paid by other group undertakings	(9,252)	(10,966)
Management fee owed by other group undertakings	10,232	11,570
	850	688
Amounts owed by parent	10	10
Amounts owed by group undertakings	1,905	1,055

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)

14. Related party transactions (Continued)

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

	2021 £'000	2020 £'000
Fixed assets on behalf of/(paid by) other group undertakings	(130)	84
Operating expenses paid by other group undertakings	(9,252)	(10,966)
	(9,382)	(10,882)

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.

15. 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 27 February 2021. 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 27 February 2021. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.