

REGISTERED NO: 4250527

MATALAN INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEK PERIOD ENDED 24 FEBRUARY 2007

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MATALAN INVESTMENTS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD
ENDED 24 FEBRUARY 2007**

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MATALAN INVESTMENTS LIMITED

DIRECTORS AND ADVISERS

EXECUTIVE DIRECTORS

J Hargreaves (Chairman)
J King (resigned 31 November 2006)
P Dutton (resigned 09 January 2007)
P Gilbert (appointed 01 February 2007)
A McGeorge (appointed 01 February 2007)

SECRETARY AND REGISTERED OFFICE

S Waite (resigned 31 October 2006)
T Broadhurst (appointed 01 November 2006, resigned 31 January 2007)
P Gilbert (appointed 01 February 2007)

Matalan Investments Limited
Gillibrands Road
Skelmersdale
West Lancashire
WN8 9TB

REGISTERED AUDITORS

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

BANKERS

Barclays Bank PLC
City Office
Water Street
Liverpool
L69 2DM

SOLICITORS

Cobbetts
Ship Canal House
King Street
Manchester
M2 4WB

MATALAN INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE 52 WEEK PERIOD ENDED 24 FEBRUARY 2007

The directors present their report and the audited financial statements for the 52 week period ended 24 February 2007

PRINCIPAL ACTIVITIES

The principal activity of the company is as a holding company to support overseas companies in the group structure

REVIEW OF THE BUSINESS

The income statement for the period is set out on page 6. Both the level of business and the year end financial position were considered satisfactory and the directors expect the present level of activity to be sustained for the foreseeable future.

DIVIDENDS

The directors do not recommend the payment of a dividend (2006 £nil)

DIRECTORS

The directors of the company are listed on page 1

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MATALAN INVESTMENTS LIMITED

**DIRECTORS' REPORT FOR THE 52 WEEK PERIOD ENDED 24 FEBRUARY 2007
(CONTINUED)**

TAXATION STATUS

In the opinion of the directors, the company is a close company within the meaning of the Income and Corporation Taxes Act 1988

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next annual general meeting

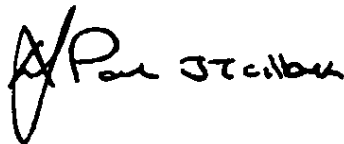
For all persons who are directors at the time of the approval of the annual report

a) so far as each director is aware, there is no relevant audit information of which the companies auditors are unaware, and

b) each director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

P Gilbert
Secretary
4 July 2007

A handwritten signature in black ink, appearing to read 'P Gilbert', is written over the typed name and title.

MATALAN INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MATALAN INVESTMENTS LIMITED FOR THE 52 WEEK PERIOD ENDED 24 FEBRUARY 2007

We have audited the financial statements of Matalan Investments Limited for the 52 weeks ended 24 February 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MATALAN INVESTMENTS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MATALAN INVESTMENTS LIMITED FOR THE 52 WEEK PERIOD ENDED 24 FEBRUARY 2007
(CONTINUED)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 24 February 2007 and of its profit for the 52 weeks then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
4 July 2007

MATALAN INVESTMENTS LIMITED

INCOME STATEMENT FOR THE 52 WEEK PERIOD ENDED 24 FEBRUARY 2007

	Note	2007 £	2006 £
Administrative expenses		(15)	(15)
OPERATING LOSS BEFORE FINANCING INCOME		(15)	(15)
Interest receivable and similar income		28,823	9,176
Net finance income		28,823	9,176
PROFIT BEFORE TAXATION		28,808	9,161
Taxation	3	-	(5)
PROFIT FOR THE FINANCIAL PERIOD		28,808	9,156

All results arose from continuing operations

The notes on pages 9 to 12 form part of these financial statements

MATALAN INVESTMENTS LIMITED**BALANCE SHEET AT 24 FEBRUARY 2007**

	Notes	2007 £	2006 £
NON-CURRENT ASSETS			
Investments	4	150,000	150,000
Trade and other receivables	5	37,106	19,500
		<u>187,106</u>	<u>169,500</u>
CURRENT ASSETS			
Trade and other receivables	6	47,235	36,018
CURRENT LIABILITIES			
Trade and other payables	7	(150,043)	(150,028)
NET CURRENT LIABILITIES			
		<u>(102,808)</u>	<u>(114,010)</u>
NET ASSETS			
		<u>84,298</u>	<u>55,490</u>
SHAREHOLDERS' EQUITY			
Ordinary shares	8	2	2
Retained earnings		84,296	55,488
EQUITY SHAREHOLDERS' FUNDS			
		<u>84,298</u>	<u>55,490</u>

The notes on pages 9 to 12 form part of these financial statements

Approved by the Board of directors on 4 July 2007 and signed on its behalf by



A McGeorge
Director

MATALAN INVESTMENTS LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 52 WEEK PERIOD ENDED 24 FEBRUARY 2007

	Share capital £	Retained earnings £	Total equity £
As at 27 February 2005	2	46,332	46,334
Total recognised income and expense	-	9,156	9,156
As at 25 February 2006	<u>2</u>	<u>55,332</u>	<u>55,490</u>
As at 26 February 2006	2	55,332	55,490
Total recognised income and expense	-	28,808	28,808
At 24 February 2007	<u>2</u>	<u>84,296</u>	<u>84,298</u>

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR 52 WEEK PERIOD ENDED 24 FEBRUARY 2007

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union issued by the International Accounting Standards Board (IASB), with the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are effective as at the balance sheet date and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS

The accounts have been prepared on a going concern basis as Matalan Limited, the ultimate parent undertaking, has confirmed that it intends to continue to provide financial support for the foreseeable future to enable the Company to meet its liabilities as they fall due

The financial statements contain information about Matalan Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Matalan Limited, a company registered in England and Wales

No cash flow statement has been presented as there have been no cash flows in the year

Current taxation

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

Income from investments

Amounts receivable from fixed income investments are recognised as income over the period the income arises

Investments

All investments are carried at historical cost less a provision for permanent diminution in value if appropriate

2 PROFIT BEFORE TAXATION

The company had no employees during the period. The directors received no remuneration for the services to the company. Auditors' remuneration is borne by the fellow group company

3 TAXATION

Analysis of charge/(credit) in period	2007 £	2006 £
Current taxation		
UK corporation tax – prior year	-	5
Total taxation charge/(credit) for the period	<u>-</u>	<u>5</u>

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR 52 WEEK PERIOD ENDED 24 FEBRUARY 2007 (CONTINUED)

The taxation charge for the period is lower (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £	2006 £
Profit before taxation	28,808	9,161
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	8,642	2,748
Effects of Expenses not deductible for tax purposes	(8,647)	(2,753)
Group relief surrendered/(claimed) not paid	5	5
Adjustments to tax charge in respect of prior years	-	5
	-	5

4 INVESTMENTS

The company subscribed in cash on 17 July 2001 for 50,000 ordinary shares of £1 each and 100,000 preference shares of £1 each for a total value of £150,000 in Matalan Holding Company Limited, a company incorporated in England and Wales During the period, Matalan Holding Company Limited issued 3,000,000 ordinary shares of £1 each to Matalan Limited Matalan Investments Limited did not take part in this share issue, therefore the holding of ordinary shares at the end of the period represents 1.25% of the issued ordinary share capital of Matalan Holding Company Limited In the period of trading to 24 February 2007, Matalan Holding Company Limited recorded a loss after taxation of £(11,000) (2006 £(32,615,000) loss) and had capital and reserves at that date of £364,000 (2006 £(2,625,000) deficit)

5 TRADE AND OTHER RECEIVABLES – NON-CURRENT

	2007 £	2006 £
Amounts owed by group undertakings	37,106	19,500

This is in respect of the premium receivable on redemption of the preference shares held in Matalan Holding Company Limited The shares are redeemable by Matalan Holding Company Limited on 17 July 2016 at £1.35 per share increased by changes in the Retail Price Index between the issue and redemption date

MATALAN INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR 52 WEEK PERIOD ENDED 24 FEBRUARY 2007 (CONTINUED)**

6 TRADE AND OTHER RECEIVABLES – CURRENT

	2007 £	2006 £
Amounts owed by group undertakings	<u>47,235</u>	<u>36,018</u>

7 TRADE AND OTHER PAYABLES – CURRENT

	2007 £	2006 £
Amounts owed to group undertakings	<u>150,043</u>	<u>150,028</u>

The intercompany creditor is interest free and has no specified repayment terms

8 SHARE CAPITAL

	2007 £	2006 £
Authorised, allotted, called up and fully paid 2 (2006 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

9 CASH FLOW FROM OPERATING ACTIVITIES

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

	2007 £	2006 £
Operating loss	<u>(15)</u>	<u>(15)</u>
Operating cash flows before movement in working capital	<u>(15)</u>	<u>(15)</u>
Movements in working capital		
Increase in trade and other payables	<u>15</u>	<u>15</u>
Net cash from operating activities	<u>-</u>	<u>-</u>

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR 52 WEEK PERIOD ENDED 24 FEBRUARY 2007 (CONTINUED)

10 RELATED PARTY TRANSACTIONS

During the period the following transactions were carried out with related parties

	2007	2006
	£	£
Preference dividend receivable	<u>28,823</u>	<u>9,176</u>
Balance outstanding in respect of dividends and associated redemption premium	<u>84,341</u>	<u>55,518</u>

Of this £37,106 (2006 £19,500) is due after one year

The company has entered into a cash pooling arrangement with other group companies

	2007	2006
	£	£
Liabilities settled by other group companies under the cash pooling arrangement		
Administrative expenses	<u>15</u>	<u>15</u>

11 CONTINGENT LIABILITIES

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

12 ULTIMATE PARENT COMPANY

Matalan PLC delisted from the London Stock Exchange on 22nd December 2006, was acquired by Missouri Bid Co Limited and became Matalan Limited. The directors regard Matalan Limited, a company registered in England and Wales, as the ultimate parent company. According to the register kept by the company, Matalan Limited has a 100% interest in the equity capital of Matalan Investments Limited at 24th February 2007. Copies of the financial statements of Matalan Limited may be obtained from Companies House. The directors regard Missouri Top Co Limited, a company registered in Guernsey, as the ultimate parent company. The company regards the Hargreaves family as the ultimate controlling party throughout the period.