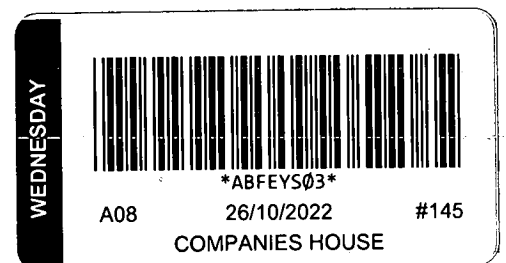


REGISTERED NUMBER: 04250527

MATALAN INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022



MATALAN INVESTMENTS LIMITED

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MATALAN INVESTMENTS LIMITED

DIRECTORS AND ADVISERS

Directors

S M Hill
J R Brown

Company Secretary

W G Lodder

Registered Office

Perimeter Road
Knowsley Industrial Park
Liverpool
L33 7SZ

Independent Auditor

KPMG LLP
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

MATALAN INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 26 February 2022.

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 a holding company. The Company expects to continue as such going forward.

Results

The profit for the period was £19k (2021: £18k) being the preference dividend and interest receivable and related unwinding of discount from Matalan Holding Company Limited. The Company has net assets of £346k (2021: £327k).

Principal risks and uncertainties

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

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

COVID-19 – the COVID-19 pandemic and the UK government restrictions in response meant that the financial year began whilst under a national lockdown at which time all stores selling items deemed to be non-essential were mandated to close. As lockdown restrictions were eased across the four UK nations, Matalan was able to implement a staggered re-opening of its store estate across April 2021.

Nevertheless, despite no further government mandated lockdowns being introduced in the UK, the 52 weeks to 26 February 2022 were punctuated by a number of market and economic disruptions caused by the COVID-19 pandemic. International shipping was severely impacted by the pandemic leading to worldwide supply-chain delays, whilst the rise in the Omicron variant in Winter 2021 led to extremely high infection levels severely impacting everyday life.

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

Since the ending of nationwide restrictions, the business has bounced back strongly reflecting the resilience of the business, the strategic advantage of Matalan's offering within the market, and the strength of the group strategy. This has enabled the business to unwind many of the mitigating actions taken in response to the COVID-19 pandemic, including settlement of its HMRC time to pay arrangements, unwinding of a number of supplier term extensions, and repayment of significant sums of deferred rent in line with negotiated agreements with our store landlords.

MATALAN INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

Principal risks and uncertainties (continued)

COVID-19 (continued)

At the time of writing, the entire Matalan store estate is fully open with no further government restrictions in response to COVID-19 currently envisaged.

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

As a non-trading company of the Group headed by Missouri Topco Limited, the Company is not directly exposed to significant risks as a result of COVID-19. The Company is impacted to a lesser extent by credit and liquidity risks. These risks have been addressed in section 3 of the Notes to the Financial Statements.

Directors' indemnities

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

Going concern

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

Political donations

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

Dividends

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

Disclosure of information to the auditor

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

- a) so far as each director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and
- b) each director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the 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
13 October 2022

MATALAN INVESTMENTS LIMITED

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Company's profit or loss 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 UK-adopted international accounting standards;
- 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 Group or the parent 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 its 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 MATALAN INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Matalan Investments Limited ("the Company") for the 52 week period ended 26 February 2022 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 26 February 2022 and of the Company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 intentions of the new owners following a possible change in ownership of the Matalan Group. 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.

Our conclusion 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 inspection of policy documentation as to Missouri Topco Limited's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, 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 believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including identifying and agreeing material post close accounting entries to supporting documentation.

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

Identifying and responding to risks of material misstatement related to 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 (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

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.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

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.

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report 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 by the Company, 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

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

- 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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
13 October 2022

MATALAN INVESTMENTS LIMITED

INCOME STATEMENT

	Note	52 weeks ended 26 February 2022 £'000	52 weeks ended 27 February 2021 £'000
Administrative expenses		-	-
Operating result		-	-
Finance income	6	19	18
Profit before income tax		19	18
Income tax	8	-	-
Profit for the period		19	18

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

MATALAN INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 26 FEBRUARY 2022

	Note	26 February 2022 £'000	27 February 2021 £'000
Non-current assets			
Investments	9	50	50
Receivables	11	346	-
Total non-current assets		396	50
Current assets			
Receivables	10	100	427
Total current assets		100	427
Total assets		496	477
Current liabilities			
Payables	12	(150)	(150)
Total current liabilities		(150)	(150)
Total liabilities		(150)	(150)
Net assets		346	327
Capital and reserves			
Share capital	13	-	-
Retained earnings		346	327
Total shareholders' equity		346	327

The financial statements on pages 8 to 22 were approved by the board of directors 13 October 2022 and signed on its behalf by:



S Hill
Director

Matalan Investments Limited
Registered number: 04250527

MATALAN INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

	52 weeks ended 26 February 2022 £'000	52 weeks ended 27 February 2021 £'000
Profit after tax	19	18
Adjustments for:		
Tax	8	-
Depreciation	-	-
Interest	(19)	-
Operating cash flows before movements in working capital	-	18
Movements in working capital:		
Increase in other receivables	-	(18)
Net cash flows from operating activities	-	-
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	-	-

MATALAN INVESTMENTS LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2020	-	309	309
Comprehensive income			
Profit for the period	-	18	18
As at 27 February 2021	-	327	327
As at 28 February 2021	-	327	327
Comprehensive income			
Profit for the period	-	19	19
As at 26 February 2022	-	346	346

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a private limited liability company and is incorporated and domiciled in England in the UK. The Company is limited by shares. The financial statements are presented in sterling, which is the Company's functional currency. All amounts presented in the financial statements have been rounded to the nearest £'000, unless otherwise stated. The address of its registered office is Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRSs"). The financial statements have been prepared on a going concern basis under the historical cost convention.

The 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 IFRS 9, IAS 39 and IFRS 7: 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 designated 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.
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Annual Improvements to IFRS Standards 2018–2020

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

2.3 Going concern

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

The Company has net current liabilities of £50k (2021: net current assets of £277k) and net assets of £346k (2021: £327k).

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

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Going concern (continued)

The COVID-19 pandemic and the UK government restrictions in response meant that the financial year began whilst under a national lockdown, with the staggered re-opening of stores across April 2021. Since the ending of these nationwide restrictions, the business has bounced back strongly reflecting the resilience of the business, the strategic advantage of Matalan's offering within the market, and the strength of the group strategy.

During the financial year the Group recovered strongly, with in-store customer demand remaining high and Online sales continuing to be strong following a very disrupted prior year and start to the current year. This has enabled the business to unwind many of the mitigating actions taken in response to the COVID-19 pandemic, including settlement of its HMRC time to pay arrangements, unwinding of a number of supplier term extensions, and repayment of significant sums of deferred rent in line with negotiated agreements with our store landlords.

In the 52 weeks to 26 February 2022, the wider Matalan Group continued to meet all active covenants having successfully agreed a suspension of the net leverage ratio covenant testing in its Revolving Facility Agreement for the second and third quarters of the financial year ending February 2022.

Whilst the threat of further severe COVID-19 measures has now receded, the Group continues to operate against a challenging economic backdrop caused in part by the rise in Cost of Living and in part by the economic uncertainty caused by the war in Ukraine, the recent mini budget, and the subsequent exchange rates and interest rates fluctuations.

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

The directors have assessed the Group cashflow forecasts in order to inform the board's conclusions as to the ability of the Group to have sufficient headroom to meet its liabilities as they fall due, and to allow it to operate as a going concern over a period of 12 months from the approval of the financial statements. In response to these factors noted above, the Group has also considered a severe but plausible downside that business performance is significantly weaker than planned.

Having done this assessment, and taken into account the facilities now available to the Group, the board has concluded that, subject to a successful debt refinancing or revision involving a potential change in ownership as outlined below, the Matalan Group and therefore the Company has the liquidity it requires and will continue to have sufficient headroom to meet its liabilities in full over the next 12 months from the date of approval of these financial statements.

The Matalan Group has a number of significant facilities maturing within the next twelve months. Post year end, the group has been able to successfully repay the 1.5 Lien Secured Notes of £27.7m and CLBILS of £16.7m at their maturity date in July 2022, and to replace its RCF facility with a new super-senior loan facility of £60.0m. This near term refinancing exercise has given the business a stable platform to evaluate options with our investor base regarding the First Lien Secured Notes of £350.0m maturing in January 2023, the Second Lien Secured Notes of £80.0m maturing in January 2024, and the Shareholder Notes of £50.0m maturing in July 2024.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Going concern (continued)

On 26 September 2022 the business announced that it has secured an agreement with over a majority of its First Lien Secured noteholders on the key terms of a comprehensive recapitalisation which addresses its forthcoming First Lien bond maturity. The agreed transaction (which is documented in a framework agreement) provides for a process to enable:

- a strategic sales process of the Group which would encompass settlement or refinancing of the outstanding First Lien Secured Debt; and
- an extension of the maturity of the existing First Lien Secured Debt for a six-month period from January 2023 to facilitate this strategic sales process.

In support of this process, an ad hoc group of First Lien Secured noteholders (the “AHG”), representing over a majority of the First Lien Secured debt, has offered to provide £200m of senior secured, stapled financing to interested parties. Furthermore, the AHG has committed to support Matalan’s intent to extend the maturity of the First Lien Secured Notes of £350m maturing in January 2023 by 6 months to facilitate the sales process. This extension requires the support of 90% of the First Lien noteholders by value.

To mitigate the uncertainty within a strategic sales process, in the event of an undesirable outcome from the process, the AHG has committed to an alternative recapitalisation transaction (if required) which provides a positive outcome in all scenarios for Matalan and for the benefit of our employees, customers, suppliers and other stakeholders. This alternative recapitalisation would result in a material reduction of Matalan’s First Lien Secured debt and an extension of the maturity of the remaining First Lien Secured debt from January 2023 to September 2027. The directors believe the support of the AHG as agreed in the Framework Agreement provides Matalan with the requisite consents to progress and as appropriate implement the alternative recapitalisation transaction set out here.

In the directors’ opinion, Matalan has a unique and attractive position in its chosen markets which will lead to significant levels of interest from prospective strategic and financial buyers. However, at this stage there can be no assurance of the outcome of the sales process or the intentions for the business of any potential third-party buyer, due to the risk inherent in any sales process. On the basis of a successful strategic sales process or the alternative recapitalisation transaction, the group will be sold or pass ownership as a going concern. However, the potential change in ownership and unknown intentions of any future owners represents a material uncertainty that may cast significant doubt on the Matalan Group’s and therefore the 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 believe it is reasonable to anticipate that the group’s forthcoming debt maturity will be addressed either through the strategic sales process or alternative recapitalisation transaction, and have therefore concluded that it remains appropriate to adopt the going concern basis in the preparation of these financial statements. The Company financial statements therefore do not include any adjustments that would result from the basis of preparation being inappropriate.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.4 Critical accounting estimates and judgements

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

As at the 26 February 2022, 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 Income from investments

Amounts receivable from non-current investments are recognised as finance income over the period the income arises.

2.6 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.

2.7 Investments

Investments in subsidiaries are stated at cost, where cost is the aggregate nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.8 Share capital

Ordinary shares are classified as equity.

2.9 Receivables

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

2.10 Payables

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

2.11 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.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.11 Impairment (continued)

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. 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.

2.12 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.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management

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

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

3.1 Credit risk

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

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

	Expected credit loss £000s
At 27 February 2021	(2)
Charged in the year	-
At 26 February 2022	(2)

3.2 Liquidity risk

Liquidity risk is managed on a group basis.

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

The Company is party to a group cash pooling arrangement with other group companies. The Company does not settle transactions in cash, instead amounts are settled by other group companies on its behalf with a corresponding adjustment to inter-company receivables / payables.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Directors' emoluments

The directors of Matalan Investments 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:

	2022 £'m	2021 £'m
Aggregate emoluments and fees (including benefits in kind)	1.7	2.4
	1.7	2.4

Amounts paid to the highest paid director:

	2022 £'m	2021 £'m
Aggregate emoluments	0.6	0.8
	0.6	0.8

5. Employee information

The Company had no employees during the period (2021: none).

6. Finance income

	2022 £'000	2021 £'000
Preference dividend receivable	13	12
Appropriated dividends and related unwinding of discount	(4)	(3)
Interest receivable	10	9
	19	18

7. Profit before income tax

The audit fee for the Company amounting to £2,000 (2021: £2,000) is borne by a fellow group company. The total fee for the Group is £0.3m (2021: £0.3m). 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.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Income tax

The income tax charge for the period is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The rate of corporation tax is based on a weighted 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%. On 24 May 2021 the increase in the corporation tax rate to 25% announced in the March 2021 Budget was substantively enacted (effective from 1 April 2023).

	2022 £'000	2021 £'000
Profit before income tax	19	18
Profit before income tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	4	3
Effects of:		
Non-taxable income	(2)	(2)
Group relief claimed	(2)	(1)
Total tax expense in the period	-	-

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

9. Investments

	£'000
At 26 February 2022 and 27 February 2021	50

The Company holds 1.25% of the issued ordinary share capital of Matalan Holding Company Limited, a company incorporated in England and Wales.

The directors believe that the book value of its investment is supported by the net assets of Matalan Holding Company Limited.

10. Receivables – current

	2022 £'000	2021 £'000
Financial asset	100	100
Amounts owed by group undertakings	-	327
	100	427

The Company holds 100,000 preference shares of £1 each in Matalan Holding Company Limited. The preference shares were redeemable by the Company on 17 July 2016 at £1.35 per share increased by changes in the Retail Price Index between the issue and the redemption date. These preference shares have not been redeemed in the period and the outstanding amounts carry interest at 2% above base rate until the date of payment.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Receivables – current (continued)

The preference shares do not carry any voting rights, other than to vote on resolutions affecting any rights or privileges of preference shareholders.

Shareholders are entitled to receive dividends each year on 17 July at a gilt rate plus 2.49%, increased by changes in the Retail Price Index.

11. Receivables – non-current

	2022 £'000	2021 £'000
Amounts owed by group undertakings	346	-
	<u>346</u>	<u>-</u>

During the financial year the amounts owed by group undertakings was reallocated to non-current assets on the basis that there is currently no intention for the Company to seek the settlement of the balance in the next 12 months.

12. Payables

	2022 £'000	2021 £'000
Amounts owed to group undertakings	(150)	(150)

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

13. Share capital

	2022 £	2021 £
Issued and fully paid		
2 (2021: 2) ordinary shares of £1 each	2	2

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.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 period the Company entered into transactions in the ordinary course of business with other related parties as follows:

	2022 £'000	2021 £'000
Transactions with other group undertakings:		
Preference dividend received and associated discount unwind from Matalan Holding Company Limited	19	18
	19	18
Amounts owed to parent company	(150)	(150)
Amounts owed by other group undertakings	346	327
Balance outstanding in respect of dividends, associated redemption premium and interest receivable in relation to preference shares.	346	327

Of the balance outstanding £158k (2021: £139k) is in respect of the premium receivable on redemption of the preference shares held in Matalan Holding Company Limited. This premium was receivable on 17 July 2016. The shares are redeemable by Matalan Holding Company Limited.

The Company considers the Hargreaves family to be the ultimate controlling party. Key management is the directors of the Company. The directors' remuneration for the services to the Company has been borne by a fellow group company.

The Company has entered into cash pooling arrangement with other group companies. The Company does not settle transactions in cash, instead amounts are settled by other group companies on its behalf with a corresponding adjustment to inter-company receivables / payables. No transactions were settled by another group company on behalf of the Company during the period.

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 Matalan Investments Limited at 26 February 2022. 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 Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 26 February 2022. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Post Balance Sheet Events

Post year end, the Group has successfully repaid the 1.5 Lien Secured Notes of £27.7m and CLBILS of £16.7m at their maturity date in July 2022, and replaced its RCF facility with a new super-senior loan facility of £60.0m. The facility, which was fully drawn post year end, is for a 12 to 18 month period, with the drawdown amount being dependent on sufficient collateral coverage within the assets of the Group. This near term refinancing exercise has given the business a stable platform to evaluate options with our investor base regarding the First Lien Secured Notes of £350.0m maturing in January 2023, the Second Lien Secured Notes of £80.0m maturing in January 2024, and the Shareholder Notes of £50.0m maturing in July 2024.

On 26 September 2022 the business announced that it has secured an agreement with over a majority of its First Lien Secured noteholders on the key terms of a comprehensive recapitalisation which addresses its forthcoming First Lien bond maturity. See note 2.3 for the details of the agreement.