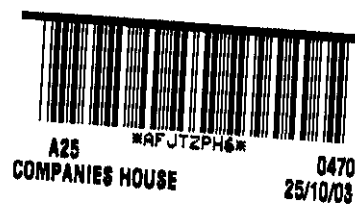


REGISTERED NO: 4250527

MATALAN INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 53 WEEK PERIOD ENDED 1 MARCH 2003



MATALAN INVESTMENTS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE 53 WEEK PERIOD
ENDED 1 MARCH 2003**

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MATALAN INVESTMENTS LIMITED

DIRECTORS AND ADVISERS

EXECUTIVE DIRECTORS

J Hargreaves – Chairman
P Mason (resigned 17th March 2003)
I A Smith (resigned 30th November 2002)
P Dutton (appointed 25th November 2002)
J King (appointed 17th March 2003)

COMPANY SECRETARY AND REGISTERED OFFICE

J G Berry
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 53 WEEK PERIOD ENDED 1 MARCH 2003

The directors present their report and the audited financial statements for the 53 week period ended 1 March 2003.

PRINCIPAL ACTIVITIES

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

RESULTS & DIVIDENDS

The profit for the financial period has been taken to reserves.

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors of the company are listed on page 1.

DIRECTORS' INTERESTS

None of the directors had an interest in the share capital of the company. The interests of the directors in the share capital of the parent company, Matalan PLC, are shown in the financial statements of that company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the 53 week period ended 1 March 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

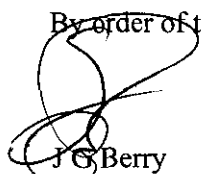
The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

MATALAN INVESTMENTS LIMITED

AUDITORS

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the next annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'J G Berry', written over the printed name.

Secretary

17 October 2003

MATALAN INVESTMENTS LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MATALAN INVESTMENTS LIMITED FOR THE 53 WEEK PERIOD ENDED 1 MARCH 2003

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 are 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 transactions is not disclosed.

We read the other information contained in the Directors' Report and financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MATALAN
INVESTMENTS LIMITED FOR THE 53 WEEK PERIOD ENDED 1 MARCH 2003
(CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 1 March 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', is written over the printed name of the firm.

PricewaterhouseCoopers LLP
Manchester
Chartered Accountants and Registered Auditors
17 October 2003

MATALAN INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 53 WEEK PERIOD ENDED 1 MARCH 2003

	Note	2003 £	2002 £
Income from shares in group undertaking		<u>11,677</u>	<u>6,666</u>
PROFIT FOR THE FINANCIAL PERIOD RETAINED AND TRANSFERRED TO RESERVES	7	<u>11,677</u>	<u>6,666</u>

The notes on pages 8 to 10 form part of these financial statements.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

All results arose from continuing operations.

MATALAN INVESTMENTS LIMITED

BALANCE SHEET AT 1 MARCH 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Investments	3	150,000	150,000
CURRENT ASSETS			
Debtors (including £6,731 (2002: £2,030) due after one year)	4	18,343	6,666
CREDITORS: amounts due within one year			
Amounts owed to group undertakings	5	(149,998)	(149,998)
NET CURRENT LIABILITIES		(131,655)	(143,332)
NET ASSETS		18,345	6,668
CAPITAL AND RESERVES			
Called up share capital	6	2	2
Profit and loss account	7	18,343	6,666
EQUITY SHAREHOLDERS' FUNDS	8	18,345	6,668

The notes on pages 8 to 10 form part of these financial statements.

Approved by the board of directors on 17 October 2003 and signed on its behalf by:



P Dutton
Director

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR 53 WEEK PERIOD ENDED 1 MARCH 2003

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has no employees during the period and the directors received no remuneration for their services to the company.

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 TAXATION

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	11,667	6,666
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	3,500	2,000
Less income not subject to tax	(3,500)	(2,000)
Total current tax	-	-

3 FIXED ASSET – 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. These holdings represent 100% of the preference share capital and 5% of the ordinary share capital of that company. In the period of trading to 1 March 2003, Matalan Holding Company Limited recorded a loss of £1,659,000 and had capital and reserves at that date of £(2,382,000).

MATALAN INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR 53 WEEK PERIOD ENDED 1 MARCH 2003**

4 DEBTORS

	2003	2002
	£	£
Amounts owed by group undertakings	<u>18,343</u>	<u>6,666</u>

Amounts owed by group undertakings includes £6,731 (2002: £2,030) falling due after more than one year. 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.

5 CREDITORS: amounts falling due within one year

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

6 CALLED UP SHARE CAPITAL

	2003	2002
	£	£
Authorised, allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

7 RESERVES

	Profit and loss account £
At 23 February 2002	6,666
Profit retained for the financial period	<u>11,677</u>
At 1 March 2003	<u>18,343</u>

MATALAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR 53 WEEK PERIOD ENDED 1 MARCH 2003

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Shares issued during the period	-	2
Profit for the financial period	11,677	6,666
Opening shareholders' funds	6,668	
Closing shareholders' funds	<u>18,345</u>	<u>6,668</u>

9 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.

10 ULTIMATE PARENT COMPANY

The directors regard Matalan PLC, a company registered in England and Wales, as the ultimate parent company, which is also the largest and smallest group to consolidate these financial statements. According to the register kept by the company, Matalan PLC has a 100% interest in the equity capital of Matalan Investments Limited at 1 March 2003. The company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with companies within the Matalan group. Copies of the financial statements of Matalan PLC may be obtained from Companies House. John Hargreaves, the chairman of Matalan PLC, is the company's ultimate controlling party.