

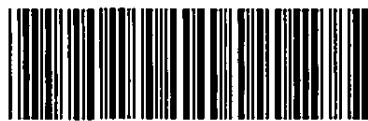
REGISTERED NUMBER:05962488

MATALAN FINANCE PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 23 FEBRUARY 2013

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MATALAN FINANCE PLC

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MATALAN FINANCE PLC

DIRECTORS AND ADVISERS

DIRECTORS

J N Mills
D Blackhurst
P J T Gilbert (resigned 16 April 2013)

COMPANY SECRETARY

P J T Gilbert (resigned 16 April 2013)
W G Lodder (appointed 25 April 2013)

REGISTERED OFFICE

Gillibrands Road
Skelmersdale
West Lancashire
WN8 9TB

INDEPENDENT AUDITOR

KPMG LLP
Chartered Accountants and Statutory Auditor
St James' Square
Manchester
M2 6DS

BANKERS

Lloyds TSB Bank PLC
King Street
Manchester
M2 4LQ

SOLICITORS

DLA Piper LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3DL

MATALAN FINANCE PLC

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2013

The directors present their report and the audited financial statements for the 52 weeks ended 23 February 2013

DIRECTORS

The company's directors who served during the period and up to the date of signing the financial statements are noted on page 1

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company to Matalan Limited and its subsidiary companies. The company holds external debt and recharges the cost of the debt to a subsidiary company. The company expects to continue as a holding company going forward.

REVIEW OF BUSINESS

The company holds external debt and recharges the cost of the debt to a subsidiary company.

REFINANCING

On 11 April 2011, the Matalan group completed an issue of £250.0m Senior secured notes, over 5 years at a fixed rate of 8 7/8%. The new notes were issued by the company. The existing Senior secured facilities held by the company of £231.0m were repaid on 12 April 2011 and the interest rate swap contracts entered into during the 52 week periods ending 27 February 2010 and 26 February 2011, also held by the company, were terminated on 12 April 2011, resulting in settlement payments of £4.7m. These payments were settled through the group cash pooling arrangement by Matalan Retail Limited and not by the company itself.

In February 2012 the group renegotiated its Revolving Credit Facility (RCF) whereby an agreement was made to cancel £20m of committed facilities the Directors' considered to be unnecessary. This facility is held by the company. The group is confident that sufficient levels of liquidity remain in the business from group cash balances and the remaining £30m RCF held by this company.

RESULTS

The result for the period was £nil (2012: loss £10.2m) and the company has net assets of £228.7m (2012: £228.7m). Loss for the prior period includes £8.3m exceptional refinancing costs.

GOING CONCERN

After reviewing the company's budget for the next financial year, and other long term plans, 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.

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.

MATALAN FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

The risks below are the principle risks that may impact the company achieving its strategic objectives

Interest Rate Risk

Following the repayment of the company's Senior secured facilities as part of the April 2011 refinancing exercise, the debt held by the company is now subject to fixed rates of interest only. This fixed rate debt structure has significantly lowered interest rate risk faced by the company. The company is also impacted to a lesser extent by market, credit and liquidity risks. These risks have been addressed in section 3.1 of the Notes to the Financial Statements.

DIVIDENDS

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

POLITICAL & CHARITABLE DONATIONS

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

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.

CREDITOR PAYMENT POLICY

UK suppliers are paid at the end of the month following invoice or to the specific terms agreed with the supplier. Foreign suppliers are paid on average within 34 days (2012: 32 days) of the receipt of invoice or delivery confirmation.

It is the group's policy to ensure the suppliers are aware of the company's terms of payment and that terms of payment are agreed at the commencement of business with each supplier. Payments are made in accordance with the payment terms and conditions agreed. Trade creditor days at 23 February 2013 were 46 days (2012: 38 days) based on average daily purchases.

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 IFRSs as adopted by the EU and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

MATALAN FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

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 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.

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the directors' report includes a fair view of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

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

PricewaterhouseCoopers LLP resigned as auditors during the year and KPMG LLP were appointed to fill the vacancy arising. 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.

On behalf of the board



D Blackhurst
Director
04 June 2013



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATALAN FINANCE PLC

We have audited the financial statements of Matalan Finance plc for the period ended 23 February 2013 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 23 February 2013 and of its result for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

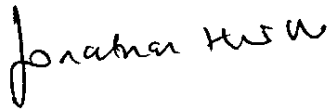
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATALAN FINANCE PLC
(CONTINUED)**

MATTERS ON WHICH WE REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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



Jonathan Hurst (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
04 June 2013

MATALAN FINANCE PLC

INCOME STATEMENT

	Note	52 weeks ended 23 February 2013 £'m	52 weeks ended 25 February 2012 £'m
Administrative expenses		-	-
Operating result		-	-
Finance costs	5	(46.1)	(47.0)
Exceptional refinancing costs	5, 18	-	(8.3)
Finance income	5	46.1	47.0
Net finance costs	5	-	(8.3)
Result/ (loss) before income tax	8	-	(8.3)
Income tax expense	9	-	(1.9)
Result/ (loss) for the period		-	(10.2)

The company has no other comprehensive income/ (expenditure) other than the result for the period

MATALAN FINANCE PLC

STATEMENT OF FINANCIAL POSITION

	Note	2013 £'m	2012 £'m
Non-current assets			
Investments	10	817.2	817.2
Deferred income tax assets	9	-	-
Total non-current assets		817.2	817.2
Current assets			
Receivables	11	59.9	59.9
Total current assets		59.9	59.9
Total assets		877.1	877.1
Current liabilities			
Financial liabilities – borrowings	12	-	-
Payables	13	(184.7)	(188.0)
Total current liabilities		(184.7)	(188.0)
Non-current liabilities			
Financial liabilities – borrowings	12	(463.7)	(460.4)
Total non-current liabilities		(463.7)	(460.4)
Total liabilities		(648.4)	(648.4)
Net assets		228.7	228.7
Capital and reserves			
Share capital	14	21.9	21.9
Retained earnings		206.8	206.8
Total shareholders' equity		228.7	228.7

The financial statements on pages 7 to 22 were approved by the board of directors on 04 June 2013 and signed on its behalf by

D Blackhurst
Director



Matalan Finance plc
Registered number 05962488

MATALAN FINANCE PLC

STATEMENT OF CASH FLOWS

	2013 £'m	2012 £'m
Net cash used in operating activities ^(a)	-	(3 4)
Cash flows from financing activities		
Proceeds from borrowings	-	250 0
Repayment of previous facilities	-	(231 0)
Fees associated with refinancing	-	(15 6)
Net cash generated from financing activities	-	3 4
Net movement 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	-	-

^(a) In the prior period the company provided £3 4m to Matalan Retail Limited to settle the refinancing exercise. This amount is included within amounts owed to group undertakings.

The £15 6m 'Fees associated with refinancing' incurred in the prior period includes £4 7m in relation to the termination of the interest rate swaps and £10 5m in relation to issue costs associated with the April 2011 refinancing exercise. £0 3m of costs associated with the February 2012 RCF renegotiation and £0 1m of other costs were also incurred in the prior period.

MATALAN FINANCE PLC**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital £'m	Share premium £'m	Retained earnings £'m	Total equity £'m
As at 27 February 2011	21.9	-	217.0	238.9
Comprehensive income				
Loss for the period	-	-	(10.2)	(10.2)
As at 25 February 2012	21.9	-	206.8	228.7
As at 26 February 2012	21.9	-	206.8	228.7
Comprehensive expenditure				
Result for the period	-	-	-	-
As at 23 February 2013	21.9	-	206.8	228.7

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The company is a public limited company, wholly owned by Matalan Group Limited. The company is incorporated and domiciled in the UK. The address of its registered office is Gillibrands Road, Skelmersdale, West Lancashire, WN8 9TB.

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.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention as modified by financial assets and financial liabilities (including derivative instruments) which are recognised at fair value through the income statement.

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.

The financial statements contain information about Matalan Finance plc as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Missouri Topco Limited, a company incorporated in Guernsey.

New standards, amendments to standards or interpretations

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year that would be expected to have a material impact on the company.

The Company has not early adopted the following standards and statements which are not yet effective. The adoption of these standards is not expected to have a material impact on the Company's accounts when adopted, except where stated.

IFRS 13 Fair value measurement (2011)

Amended IAS 1 Presentation of items of other comprehensive income (2010)

Amended IAS 12 Income taxes: Deferred Tax – Recovery of underlying assets (2010)

Revised IAS 19 Employee Benefits (2011)

IFRS 9 Financial Instruments: Classification and Measurement (2010)

Amendments to IFRS 7 Disclosures offsetting financial assets and liabilities

Amendments to IAS 32 Offsetting financial assets and financial liabilities

The company intends to adopt the new standards and amendments no later than their applicable date, subject to endorsement by the EU. The company has yet to assess the full impact of adopting these new standards and amendments.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Finance income

Finance income is recognised on a time-proportioned basis using the effective interest method

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.

Current income tax

Current income tax charge is calculated on the basis of the tax laws enacted or substantively 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.

Deferred income tax

Deferred income tax is provided in full using the balance sheet 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 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.

Borrowings

Interest bearing bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The fair values of trade and other receivables, loans and overdrafts and trade and other payables with a maturity of less than one year are assumed to approximate to their book values. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Dividends

Final dividends payable to the company's shareholders are recognised in the company's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends payable are recognised in the period in which the dividends are paid.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Exceptional items

Items that are material in size and/or non-recurring in nature are presented as exceptional items in the income statement. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the company's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, gains or losses on the disposal or impairment of assets and other significant non recurring gains or losses.

Share capital

Ordinary shares are classified as equity.

Receivables

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

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.

Payables

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

Segmental reporting

The entire operations of the company are considered part of a single segment.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management

3.1 Financial risk factors

The financial and capital risk management of the company is managed by group. The company's activities expose it to market risk, 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 uses derivative financial instruments to hedge certain risk exposures.

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

(a) Market risk

Cashflow and fair value interest rate risk

The company has no interest bearing assets. The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

On 11 April 2011, the company completed a refinancing exercise whereby the existing senior secured facilities (subject to a fluctuating rate of interest based on LIBOR) were repaid and Senior secured notes were issued at a fixed rate of interest. The unsecured senior notes, also issued at a fixed rate of interest in March 2010, are still in issue. This exercise therefore significantly reduces the company's exposure to interest rate risk.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are dealt with in relation to placing cash deposits.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by counterparties. The main counterparties dealt with in the period include Lloyds TSB plc, The Royal Bank of Scotland plc and Barclays Bank plc.

The majority of receivables held by the company are inter-company balances. There is no credit risk in relation to these balances as they are supported by the group.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Liquidity risk

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 intercompany receivables / payables. The only cash flows within the company during the current year relate to the refinancing exercise.

The table below analyses the company's financial liabilities before issue costs into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 25 February 2012				
Borrowings (before deduction of £14.6m issue costs) including interest payable	(43.9)	(43.9)	(370.5)	(235.8)
Trade and other payables	(188.0)	-	-	-
	(188.0)	-	(250.0)	(225.0)
At 23 February 2013				
Borrowings (before deduction of £11.3m issue costs) including interest payable	(43.9)	(43.9)	(562.4)	-
Trade and other payables	(184.7)	-	-	-
	(184.7)	-	(475.0)	-

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 23 February 2013, 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.

5. Net Finance Costs

	2013 £'m	2012 £'m
Finance costs and similar charges		
Interest payable on loans	-	(2.0)
Interest payable on notes	(42.9)	(41.7)
Amortisation of finance costs		
Debt costs	-	(0.3)
Notes costs	(3.2)	(3.0)
Finance costs	(46.1)	(47.0)
Exceptional refinancing costs (note 18)	-	(8.3)
Finance income		
Loan interest and other finance costs recharged to group companies	46.1	47.0
Finance income	46.1	47.0
Net finance costs	-	(8.3)

6. Directors' emoluments

The directors' remuneration for their services to the company has been borne by another group company.

7. Employee information

There were no employees during the period (2012: none).

8. Profit before income tax

The audit fee for the company amounting to £8,000 (2012: £8,000) is borne by a fellow group company. The total fee for the group is £0.1m (2012: £0.1m).

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Income tax expense

Analysis of expense in the period

	2013 £'m	2012 £'m
Current income tax		
UK corporation tax – current period	-	-
	-	-
Deferred income tax		
Deferred income tax relating to the origination and reversal of temporary differences	-	1.6
Adjustment in respect of prior periods	-	0.3
	-	1.9
Total income tax expense	-	1.9

The income tax expense for the period is equal to (2012: lower than) the rate of corporation tax of 24.17% (2012: 26.17%). The rate of corporation tax is based on a weighted average rate. The standard rate of corporation tax reduced from 26% to 24% on 1 April 2012. The differences are explained below:

	2013 £'m	2012 £'m
Loss before income tax	-	(8.3)
Loss before income tax multiplied by a rate of corporation tax of 24.17% (2012: 26.17%)	-	(2.2)
Effects of:		
Non-taxable income	(11.4)	(12.2)
Group relief surrendered	11.4	15.9
Prior period adjustment	-	0.3
Change in rate of income tax	-	0.1
Total income tax expense in the period	-	1.9

Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2012: 25%).

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

Deferred income tax assets and liabilities are only offset where there is a legally enforceable right of offset and the deferred income taxes relate to the same fiscal authority.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Income tax expense (continued)

Deferred income tax assets are expected to be recoverable after more than one year and are attributable to the following

Deferred income tax assets

	Financial derivatives £'m	Total £'m
At 27 February 2011	1 9	1 9
Expensed to the income statement	(1 9)	(1 9)
At 25 February 2012	-	-
At 26 February 2012	-	-
Expensed to the income statement	-	-
At 23 February 2013	-	-

In his budget of 20th March 2013, the Chancellor of the Exchequer announced tax changes including phased reductions in the corporation tax rate to 20% from 1 April 2015. As at February 2013, only the reduction in rate to 23% had been substantively enacted with no material impact on the deferred income tax of the company.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Investments

	Investment in subsidiaries £'m
Cost and net book value	
At 27 February 2011	817.2
Investment in subsidiary undertaking	-
At 25 February 2012	817.2
At 26 February 2012	817.2
Investment in subsidiary undertaking	-
At 23 February 2013	817.2

The company holds 100% of the ordinary share capital of Matalan Limited. The principal activity of Matalan Limited is to act as a holding company and it is incorporated in England and Wales. The directors believe that the book value of the investment is supported by the underlying net assets and the future discounted cash flows of the trading subsidiaries of the investment. The investment has a coterminous year end with the company.

The company also has an indirect interest in the following subsidiary companies

Name	Principal activity	Country of incorporation	% interest held and voting rights
Matalan Retail Limited	Retail	England and Wales	100
Jonmar Limited	Property	England and Wales	100
Matalan Travel Limited	Travel services	England and Wales	100
Matalan Investments Limited	Holding company	England and Wales	100
HP01 Nominees Limited	Distribution	England and Wales	100
Matalan Holding Company Limited	Holding company	England and Wales	100

11. Receivables – current

	2013 £'m	2012 £'m
Amounts due from group undertakings	59.9	59.9
	59.9	59.9

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Financial liabilities – borrowings

	2013 £'m	2012 £'m
Non current		
Senior unsecured notes (net of £4.7m issue costs (2012 £5.9m)) maturity date 2015	(220.3)	(219.1)
Senior secured notes (net of £6.6m issue costs (2012 £8.7m)) maturity date 2016	(243.4)	(241.3)
	(463.7)	(460.4)

Bank borrowings are all denominated in sterling at 23 February 2013. Senior unsecured and secured notes are subject to fixed rates of interest of 9.5/8% and 8.7/8% respectively. The group had no short-term borrowings during the period (2012: £nil).

On 11 April 2011, the Matalan group completed an issue of £250.0m Senior secured notes, over 5 years at a fixed rate of 8.7/8%. The new notes were issued by the company. The existing Senior secured facilities held by the company of £231.0m were repaid on 12 April 2011 and the interest rate swap contracts entered into during the 52 week periods ending 27 February 2010 and 26 February 2011, also held by the company, were terminated on 12 April 2011, resulting in settlement payments of £4.7m. These payments were settled through the group cash pooling arrangement by another group company and not by the company itself.

Security over the secured debt comprises a charge over substantially all of the property and assets of the company and each guarantor. The guarantors are the ultimate parent company Missouri Topco Limited and fellow group entities Matalan Group Limited, Matalan Limited, Matalan Retail Limited and Matalan Holding Company Limited.

Bank loan amounts include rolled up interest charges as appropriate to the instrument and also include an element of borrowing costs in accordance with IAS39. Average interest rates on bank loans during the period were £nil (2012: 7.3%).

The company is no longer exposed to interest rate risk. No interest rate swaps are held.

Maturity of Senior notes and Senior secured notes

	2013 £'m	2012 £'m
Less than one year	-	-
One to five years	475.0	250.0
Five to ten years	-	225.0
	475.0	475.0
Issue costs	(11.3)	(14.6)
	463.7	460.4
Current	-	-
Non-current	463.7	460.4
	463.7	460.4

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Payables - current

	2013 £'m	2012 £'m
Amounts owed to group undertakings	(168.7)	(170.9)
Accruals and deferred income	(16.0)	(17.1)
	(184.7)	(188.0)

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

14. Share capital

	10p 'A' ordinary shares Number	Total value £'m
Issued and fully paid		
At 23 February 2013 and 25 February 2012	218,688,222	21.9

15. Cash flows from operating activities

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 Matalan Retail Limited on its behalf with a corresponding adjustment to intercompany receivables / payables.

16. 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.

17. 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:

	2013 £'m	2012 £'m
Transactions with group undertakings		
Funds borrowed	(43.9)	(284.2)
Funds provided	-	250.0
Dividend received	-	-
Interest receivable	46.1	47.0
	2.2	12.8
Amounts owed to parent	(290.6)	(282.1)
Amounts owed from group undertakings	181.8	171.1

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Related party transactions (continued)

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 Matalan Retail Limited on its behalf with a corresponding adjustment to intercompany receivables / payables.

Net liabilities settled by Matalan Retail Limited under the cash pooling arrangement

	2013 £'m	2012 £'m
Transactions with subsidiary undertakings		
Net proceeds from borrowings	-	19.0
Notes / loan interest payments	(43.9)	(35.6)
Fees paid by other group undertakings	-	(15.6)
Other interest payments	-	(2.0)
	(43.9)	(34.2)

The company considers the Hargreaves family to be the ultimate controlling party.

Key management is the directors of the company. The compensation paid or payable to key management for employee services to the company has been borne by another group company (refer to note 6).

18. Exceptional items

Exceptional items are comprised as follows:

	2013 £'m	2012 £'m
Refinancing costs	-	(8.3)
Exceptional refinancing costs	-	(8.3)
Total exceptional items	-	(8.3)

Refinancing costs

During the prior period £8.0m of finance costs associated with the April 2011 refinancing exercise were expensed as exceptional items. An additional £0.3m was also incurred in the prior period in relation to the RCF renegotiation.

19. Ultimate parent company

The directors regard Matalan Group Limited, a company registered in England and Wales, as the immediate parent company. According to the register kept by the company, Matalan Group Limited has a 100% interest in the equity capital of Matalan Finance plc at 23 February 2013. The directors regard Missouri Topco Limited, a company registered in Guernsey, as the ultimate parent company.

The directors regard the Hargreaves family as the ultimate controlling party throughout the period.

The parent of the largest and smallest group to consolidate these financial statements at 23 February 2013 is the ultimate parent company, Missouri Topco Limited. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Gillibrands Road, Skelmersdale, West Lancashire, WN8 9TB.