

**REGISTERED NUMBER: 05962488**

**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**52 WEEKS ENDED 27 FEBRUARY 2010**

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**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE 52 WEEK PERIOD  
ENDED 27 FEBRUARY 2010**

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**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

**DIRECTORS AND ADVISERS**

**DIRECTORS**

J Mills (Chairman)

A K McGeorge

P J T Gilbert

D H Davies (appointed 31 March 2010 and resigned 6 April 2010)

**COMPANY SECRETARY**

P J T Gilbert

**REGISTERED OFFICE**

Gillibrands Road

Skelmersdale

West Lancashire

WN8 9TB

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

**SOLICITORS**

DLA Piper LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3DL

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## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2010**

The directors present their report and the audited financial statements for the 52 weeks ended 27 February 2010

#### **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 loans and recharges the cost of the loans to a subsidiary company.

#### **REVIEW OF BUSINESS**

The company holds external loans and recharges the cost of the loans to a subsidiary company. During the financial period the company made an early repayment of debt. These funds were settled through the group cash pooling arrangement by another group company not by the company itself.

#### **FINANCIAL RISK MANAGEMENT**

The company has both short term and long term interest bearing debt liabilities. All of the company's bank borrowings incur interest at a floating rate of interest based on LIBOR. The company uses interest rate swaps in order to manage its exposure to changes in interest rates.

#### **RESULTS AND DIVIDENDS**

The profit for the period was £nil (2009 £1.0m)

The directors do not recommend payment of a dividend (2009 £nil)

#### **TAXATION STATUS**

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

#### **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.

#### **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.

#### **POST BALANCE SHEET EVENTS**

Subsequent to the period end the company has completed a refinancing of its debt. Further information relating to this is included in note 16.

## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2010 (CONTINUED)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the 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 accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

On behalf of the board



P J T Gilbert  
Director  
19 May 2010

## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

We have audited the financial statements of Matalan Finance plc (formerly Missouri Bidco Limited) for the 52 weeks ended 27 February 2010 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Respective responsibilities of directors and auditors**

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 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **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 27 February 2010 and of its result for the 52 weeks then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.

**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MATALAN FINANCE PLC  
(FORMERLY MISSOURI BIDCO LIMITED) (CONTINUED)**

**Matters on which we are required to 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

A handwritten signature in black ink, appearing to read 'John Cowling', with a long horizontal flourish extending to the right.

John Cowling (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
19 May 2010

**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

**INCOME STATEMENT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2010**

|   | Notes | <b>52 weeks<br/>ended 27<br/>February<br/>2010<br/>£'m</b> | 52 weeks<br>ended 28<br>February<br>2009<br>£'m |
|---|-------|--|---|
| Administrative expenses pre-exceptional |       | -  | -   |
| Exceptional administrative expenses     | 14    | (1.0)  | -   |
| Total administrative costs              |       | (1.0)  | -   |
| <b>Operating result</b>                 |       | <b>(1.0)</b>   | -   |
| Finance costs                           | 1     | (23.5)   | (30.6)  |
| Finance income                          | 1     | 23.5   | 30.6  |
| <b>Net finance costs</b>                |       | <b>-</b>   | -   |
| <b>Loss before taxation</b>             | 4     | <b>(1.0)</b>   | -   |
| Taxation                                | 5     | 1.0  | 1.0   |
| <b>Result for the period</b>            |       | <b>-</b>   | 1.0   |

The company has no other comprehensive income other than profit for the period



# MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)

## BALANCE SHEET AS AT 27 FEBRUARY 2010

|  | Notes | 2010<br>£'m    | 2009<br>£'m    |
|--|-------|----------------|----------------|
| <b>Non current assets</b>                                |       |                |                |
| Investments  | 6     | 817.2          | 817.2          |
| Deferred tax assets                                      | 5     | 1.9            | 0.9            |
| <b>Total non-current assets</b>                          |       | <b>819.1</b>   | <b>818.1</b>   |
| <b>Current assets</b>                                    |       |                |                |
| Receivables  | 7     | 3.1            | -              |
| <b>Total current assets</b>                              |       | <b>3.1</b>     | <b>-</b>       |
| <b>Total assets</b>                                      |       | <b>822.2</b>   | <b>818.1</b>   |
| <b>Current liabilities</b>                               |       |                |                |
| Financial liabilities – borrowings                       | 8     | (6.6)          | (6.3)          |
| Financial liabilities – derivative financial instruments | 10    | (6.9)          | (3.1)          |
| Payables   | 9     | (140.3)        | (107.7)        |
| <b>Total current liabilities</b>                         |       | <b>(153.8)</b> | <b>(117.1)</b> |
| <b>Non current liabilities</b>                           |       |                |                |
| Financial liabilities – borrowings                       | 8     | (236.1)        | (268.7)        |
| <b>Total non-current liabilities</b>                     |       | <b>(236.1)</b> | <b>(268.7)</b> |
| <b>Total liabilities</b>                                 |       | <b>(389.9)</b> | <b>(385.8)</b> |
| <b>Net assets</b>  |       | <b>432.3</b>   | <b>432.3</b>   |
| <b>Capital and reserves</b>                              |       |                |                |
| Share capital  | 11    | 21.9           | 21.9           |
| Share premium  |       | 415.5          | 415.5          |
| Retained earnings  |       | (5.1)          | (5.1)          |
| <b>Total shareholders' equity</b>                        |       | <b>432.3</b>   | <b>432.3</b>   |

The financial statements on pages 6 to 21 were approved by the board of directors on 19 May 2010 and signed on its behalf by

A K McGeorge  
Director



Matalan Finance plc (formerly Missouri Bidco Limited)  
Registered number 05962488

**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)****STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 52 WEEKS ENDED 27 FEBRUARY 2010**

|                                     | Share<br>capital<br>£'m | Share<br>premium<br>£'m | Retained<br>earnings<br>£'m | Total<br>equity<br>£'m |
|-------------------------------------|-------------------------|-------------------------|-----------------------------|------------------------|
| As at 2 March 2008                  | 21.9                    | 415.5                   | (6.1)                       | 431.3                  |
| <b>Comprehensive income</b>         |                         |                         |                             |                        |
| Total recognised income and expense | -                       | -                       | 1.0                         | 1.0                    |
| As at 28 February 2009              | 21.9                    | 415.5                   | (5.1)                       | 432.3                  |
| As at 1 March 2009                  | 21.9                    | 415.5                   | (5.1)                       | 432.3                  |
| <b>Comprehensive income</b>         |                         |                         |                             |                        |
| Total recognised income and expense | -                       | -                       | -                           | -                      |
| As at 27 February 2010              | 21.9                    | 415.5                   | (5.1)                       | 432.3                  |

## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **STATEMENT OF ACCOUNTING POLICIES**

The company is a private limited liability company and is incorporated and domiciled in the UK. The address of its registered office is Gillibrands Road, Skelmersdale, West Lancashire, WN8 9TB.

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS) 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.

The financial statements have been prepared on a going concern basis under the historical cost convention as Missouri Topco Limited, the ultimate parent undertaking, has confirmed that it intends to continue to provide financial support for at least twelve months from the report signing date to enable the company to meet its liabilities as they fall due.

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

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 (formerly Missouri Bidco Limited) 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 parent, Missouri Topco Limited, a company incorporated in Guernsey.

#### **New standards, amendments to standards or interpretations**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 March 2009:

- IAS 1 (revised) - 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard.
- IFRS 7 (amendment) - 'Financial instruments - Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 1 March 2009, but are not currently relevant for the company:

- IFRIC 13 - Customer loyalty programmes
- IFRS 2 (amendment) - 'Share-based payment'
- IAS 23 (revised) - Borrowing costs
- IFRS 8 - 'Operating segments'

## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **New standards, amendments to standards or interpretations (continued)**

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 March 2010 or later periods, but the company has not early adopted them

- IAS 1 (amendment) - 'Presentation of financial statements'
- IAS 27 (revised) - 'Consolidated and separate financial statements'
- IAS 32 and IAS 1 (amendments) - Presentation of puttable financial instruments and obligations arising on liquidation
- IAS 38 (amendment) - 'Intangible Assets'
- IAS 39 (amendment) - Financial instruments Recognition and measurement of reclassification of financial assets
- IFRS 2 (amendments) - 'Group cash-settled share-based payment transaction'
- IFRS 3 (revised) - 'Business combinations'
- IFRS 5 (amendment) - 'Non-current assets held for sale and discontinued operations'
- IFRIC 14 - Defined benefit assets
- IFRIC 17 - 'Distribution of non-cash assets to owners'

#### **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

#### **Current taxation**

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

#### **Deferred taxation**

Deferred 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 taxation purposes. Temporary differences not provided for include the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred 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 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 tax benefit will be realised.

Deferred tax is charged or credited to the income statement when the liability is settled or the asset is realised. Deferred 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.

## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **Derivative financial instruments**

Derivative financial instruments are initially recognised and measured at fair value on the date a derivative financial contract is entered into and subsequently measured at fair value at each balance sheet date. The gain or loss on re-measurement is treated as financing in the income statement and then recharged to the trading subsidiaries as appropriate.

Derivatives are deemed to be current unless the financial instrument is due to mature more than 12 months after the balance sheet date, then they are deemed to be non current.

#### **Financial assets and liabilities**

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 and then recharged to the trading subsidiaries as appropriate. The fair values of receivables, loans and payables with a maturity of less than one year are assumed to approximate to their book values due to the cash based nature of the items. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Financial assets and liabilities are deemed to be current unless the financial instrument is due to mature more than 12 months after the balance sheet date, then they are deemed to be non current.

#### **Impairment of assets**

Non financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting 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.

#### **Finance income**

Interest income is recognised on a time-proportioned basis using the effective method.

#### **Payables**

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

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## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **Share capital policy**

Ordinary shares are classified as equity

#### **Exceptional items**

Items that are material in size and non-operating 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.

#### **Financial and capital risk management**

The financial and capital risk management of the company is managed by group. Details of the financial and risk management policies are included on pages 26 to 29 of the Missouri Topco Limited financial statements.

Cash flow and fair value interest rate risk - The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. The company manages its cash flow interest rate risk at a group level by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

# MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Finance income and costs

|   | 52 weeks<br>ended 27<br>February<br>2010<br>£'m | 52 weeks<br>ended 28<br>February<br>2009<br>£'m |
|---|---|---|
| Finance income  |   |   |
| Loan interest and other finance costs recharged to group companies                      | 23.5  | 30 6  |
| Finance costs   |   |   |
| Interest payable on loans   | (18.2)  | (28 6)  |
| Amortisation of debt costs  | (1.6)   | (1 6)   |
| Fair value losses – interest rate swaps held at fair value through the income statement | (3.7)   | (0 4)   |
|   | (23.5)  | (30 6)  |
| <b>Net finance costs</b>  | -   | -   |

### 2. Directors' emoluments

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

### 3. Employee information

There were no employees during the period (2009 none)

### 4. Loss before taxation

The audit fee for the company amounting to £8,000 (2009 £8,000) is borne by a fellow group company  
The total fee for the group is £0 1m (2009 £0 1m)

# MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Taxation

#### Analysis of credit in the period

|   | 2010<br>£'m | 2009<br>£'m |
|---|-------------|-------------|
| <b>Current taxation</b>   |             |             |
| UK corporation taxation – current period  | -           | -           |
| Prior year adjustment   | -           | 1.0         |
|   | -           | 1.0         |
| <b>Deferred taxation</b>  |             |             |
| Deferred taxation relating to the origination and reversal of temporary differences | 1.0         | 0.4         |
| Prior year adjustment   | -           | (0.4)       |
|   | 1.0         | -           |
| <b>Total taxation credit</b>  | 1.0         | 1.0         |

The taxation credit for the period is higher (2009 higher) than the rate of corporation taxation of 28% (2009 28.17%). The differences are explained below

|  | 2010<br>£'m | 2009<br>£'m |
|--|-------------|-------------|
| Loss before taxation   | (1.0)       | -           |
| Loss before taxation multiplied by a rate of corporation taxation of 28% (2009 28.17%) | 0.3         | -           |
| Effects of   |             |             |
| Expenses not deductible for taxation purposes  | 6.3         | 8.9         |
| Prior year adjustment  | -           | 0.6         |
| Group relief surrendered   | (5.6)       | (8.5)       |
| <b>Total taxation credit in the period</b>   | 1.0         | 1.0         |



# MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Taxation (continued)

#### Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 28% (2009 28%)

The analysis of the deferred taxation account is shown below

|                                 | 2010<br>£'m | 2009<br>£'m |
|---------------------------------|-------------|-------------|
| Fair value gains and losses     | 1.9         | 0.9         |
| <b>At the end of the period</b> | <b>1.9</b>  | <b>0.9</b>  |

Deferred taxation 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

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

#### Deferred tax assets

|  | Financial<br>derivatives<br>£'m | Unpaid<br>interest<br>£'m | Total<br>£'m |
|--|---------------------------------|---------------------------|--------------|
| At 2 March 2008                              | -                               | 0.9                       | 0.9          |
| Credited / (Charged) to the income statement | 0.9                             | (0.9)                     | -            |
| At 28 February 2009                          | 0.9                             | -                         | 0.9          |
| At 1 March 2009                              | 0.9                             | -                         | 0.9          |
| Credited to the income statement             | 1.0                             | -                         | 1.0          |
| <b>At 27 February 2010</b>                   | <b>1.9</b>                      | <b>-</b>                  | <b>1.9</b>   |

### 6. Investment

|                                      | Investment<br>in<br>subsidiaries<br>£'m |
|--------------------------------------|---|
| <b>Cost and net book value</b>       |   |
| At 1 March 2008                      | 817.2                                   |
| Investment in subsidiary undertaking | -                                       |
| At 28 February 2009                  | 817.2                                   |
| At 1 March 2009                      | 817.2                                   |
| Investment in subsidiary undertaking | -                                       |
| <b>At 27 February 2010</b>           | <b>817.2</b>                            |

## MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6. Investments (continued)

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

| Name  | Country of incorporation | % interest held |
|---|--------------------------|-----------------|
| Matalan Retail Limited                          | England and Wales        | 100             |
| Jonmar Limited                                  | England and Wales        | 100             |
| Matalan Travel Limited                          | England and Wales        | 100             |
| Matalan Investments Limited                     | England and Wales        | 100             |
| HP01 Nominees Limited (formerly Jaymax Limited) | England and Wales        | 100             |
| Matalan Holding Company Limited                 | England and Wales        | 100             |
| Matalan Quest Trustee Limited                   | England and Wales        | 100             |
| Wolsey Limited                                  | England and Wales        | 100             |

#### 7. Receivables - current

|             | 2010<br>£'m | 2009<br>£'m |
|-------------|-------------|-------------|
| Prepayments | 3.1         | -           |
|             | <b>3.1</b>  | <b>-</b>    |

#### 8. Financial liabilities – borrowings

|   | 2010<br>£'m    | 2009<br>£'m    |
|---|----------------|----------------|
| <b>Current</b>  |                |                |
| Bank loans due within one year or on demand             | (6.6)          | (6.3)          |
| <b>Non current</b>                                      |                |                |
| Bank loans (net of £8.9m (2009: £10.6m) of issue costs) | (236.1)        | (268.7)        |
|   | <b>(242.7)</b> | <b>(275.0)</b> |

Bank loans are all denominated in sterling at 27 February 2010.

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. The bank loans are secured by fixed and floating charges on group assets. Interest charges are based on floating LIBOR and the company policy with respect to interest rate risk is outlined in note 10 and the statement of accounting policies. Average interest rates on bank loans during the period were 5.0% (2009: 9.4%).

The company has entered into interest rate swaps which are described in note 10.

The remaining issue costs are amortised over the term of the loans to February 2016.

**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****9. Payables - current**

|                                    | <b>2010</b><br><b>£'m</b> | <b>2009</b><br><b>£'m</b> |
|------------------------------------|---------------------------|---------------------------|
| Amounts owed to group undertakings | (136.8)                   | (107.5)                   |
| Accruals and deferred income       | (3.5)                     | (0.2)                     |
|                                    | <b>(140.3)</b>            | <b>(107.7)</b>            |

**10. Financial instruments****Financial risk factors**

Exposure to interest rate risks arises in the normal course of the company's business. Derivative financial instruments (principally swaps) are used to manage exposure to fluctuations in interest rates. It is the company's policy that no trading in financial instruments shall be undertaken.

The company's policy is to use interest rate swaps and interest rate caps to manage its interest rate risk exposure.

**Fair values**

The fair values of the company's financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

|                    | <b>Carrying<br/>value<br/>2010<br/>£'m</b> | <b>Fair value<br/>2010<br/>£'m</b> | <b>Carrying<br/>value<br/>2009<br/>£'m</b> | <b>Fair value<br/>2009<br/>£'m</b> |
|--------------------|--|------------------------------------|--|------------------------------------|
| Bank loans         | (242.7)                                    | (242.7)                            | (275.0)                                    | (275.0)                            |
| Interest rate swap | (6.9)                                      | (6.9)                              | (3.1)                                      | (3.1)                              |

As at 28 February 2009 the company had an interest rate swap and an interest rate cap. The floating to fixed rate interest rate swap had an initial notional principle of £160.0m which amortised over the period of the swap. The forward start date was 5 March 2007 and the final maturity date was 28 February 2010. The fixed rate payable under the swap was 5.96%. The interest rate cap had an initial notional principal of £78.8m. Under the terms of the cap the company received interest on the notional amount should the floating LIBOR rate be above 5.82%, such that the total interest payable on this portion of the company's debt was capped at 5.82%.

During the period the holders of the interest rate swap have defaulted on the contract. We continue to be in dispute with the holders of this instrument. New floating to fixed rate swaps were entered into during the period. These have an initial notional principal of £238.3m which amortises over the period of the swaps. The forward start dates were 28 August 2009 and the final maturity date is 31 March 2013. The weighted average fixed rate payable under the swaps is 3.16%.

The fair value of the new interest rate swaps as at 27 February 2010 was £6.9m (2009 fair value of previous swaps was £3.1m). The directors have based their assessment of the fair value of these derivatives on the market valuation provided by independent third parties.

**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Financial instruments (continued)**

**Maturity of financial liabilities**

|                    | <b>2010<br/>£'m</b> | <b>2009<br/>£'m</b> |
|--------------------|---------------------|---------------------|
| Less than one year | (6.6)               | (6.3)               |
| One to five years  | (89.1)              | (107.1)             |
| Five to ten years  | (155.9)             | (172.2)             |
|                    | <b>(251.6)</b>      | <b>(285.6)</b>      |
| Issue costs        | 8.9                 | 10.6                |
|                    | <b>(242.7)</b>      | <b>(275.0)</b>      |
| Current            | (6.6)               | (6.3)               |
| Non current        | (236.1)             | (268.7)             |
|                    | <b>(242.7)</b>      | <b>(275.0)</b>      |

**11. Share capital and reserves**

|   | <b>10p<br/>A ordinary<br/>shares<br/>Number</b> | <b>Total<br/>value<br/>£'m</b> |
|---|---|--------------------------------|
| <b>Authorised</b>                               |   |                                |
| <b>At 27 February 2010 and 28 February 2009</b> | <b>300,000,000</b>                              | <b>30.0</b>                    |
| <b>Allotted, called up and fully paid</b>       |   |                                |
| <b>At 27 February 2010 and 28 February 2009</b> | <b>218,688,222</b>                              | <b>21.9</b>                    |

**12. 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.

**MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****13. 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

|                                      | <b>2010<br/>£'m</b> | <b>2009<br/>£'m</b> |
|--------------------------------------|---------------------|---------------------|
| Transactions with parent company     |                     |                     |
| Funds borrowed                       | -                   | -                   |
|                                      | -                   | -                   |
| Transactions with group undertakings |                     |                     |
| Funds borrowed                       | <b>(52.8)</b>       | (58.3)              |
| Interest receivable                  | <b>23.5</b>         | 31.4                |
|                                      | <b>(29.3)</b>       | (26.9)              |
| Amounts owed to group undertakings   | <b>(136.8)</b>      | (107.5)             |

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.

**Net liabilities settled by other group companies under the cash pooling arrangement**

|   | <b>2010<br/>£'m</b> | <b>2009<br/>£'m</b> |
|---|---------------------|---------------------|
| Transactions with subsidiary undertakings |                     |                     |
| Loan interest payments                    | <b>(13.5)</b>       | (35.6)              |
| Loan repayment                            | <b>(37.5)</b>       | (22.0)              |
| Fees paid by other group undertakings     | -                   | (0.7)               |
|   | <b>(51.0)</b>       | (58.3)              |

## MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 14. Exceptional items

Exceptional items are comprised as follows

|   | 2010<br>£'m  | 2009<br>£'m |
|---|--------------|-------------|
| Costs incurred in relation to group refinancing | (1.0)        | -           |
| <b>Exceptional items</b>                        | <b>(1.0)</b> | <b>-</b>    |

#### 15. Cash flows from operating activities

There have been no cash flows in the company in the current or prior year and hence no cash flow statements have been prepared

|   | 2010<br>£'m | 2009<br>£'m |
|---|-------------|-------------|
| Profit for the period                                     | -           | 1 0         |
| Adjustment for<br>(Increase) in receivables               | (4.1)       | (30 6)      |
| Increase in payables                                      | 4.1         | 29 6        |
| <b>Net cash flows generated from operating activities</b> | <b>-</b>    | <b>-</b>    |

On arrangement of the banking facilities, and all subsequent transactions in relation to these facilities, the cash was transferred directly to or from another group company and did not directly flow through this company

#### 16. Post balance sheet events

During the period the Group has been preparing to refinance its debt. The refinancing had not yet completed at the balance sheet date. £1m of costs associated with this refinancing have been expensed as exceptional items by the company and a further £3.1m have been prepaid by the company at the Balance Sheet date.

This refinancing was completed at the end of March. The existing debt was repaid and new Senior secured floating rate facilities of £250m, over 6 years at 5% above LIBOR, were put in place together with new unsecured fixed rate Senior notes of £225m, over 7 years at a fixed rate of 9.5/8%.

On 16 March 2010 the company received a dividend of £60.0m from Matalan Limited (being 27.44p per 10p A ordinary share). The company paid a dividend of £9.0m to Matalan Group Limited (formerly Missouri PIKco Limited) on 18 March 2010 (being 4.12p per 10p A ordinary share).

On 18 March 2010 the company's share premium account was reduced by cancellation of the premium of £1.90 per share on the 218,668,222 ordinary shares on 10 pence each in the capital of the company. The resulting effect was a reduction in the company's share premium of £415.5m and a corresponding increase in the distributable reserves of the company.

On 31 March 2010 the company repaid its debt of £251.9m and on that date accelerated the amortisation of £8.8m of outstanding issue costs associated with that debt.

## **MATALAN FINANCE PLC (FORMERLY MISSOURI BIDCO LIMITED)**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **16. Post balance sheet events (continued)**

The company paid a dividend of £235.5m to Matalan Group Limited (formerly Missouri PIKco Limited) on 1 April 2010 (being 107.69p per 10p A ordinary share)

On the 1 April 2010 the company funded the purchase of 20% of B shares for £12m through an Employee Benefit Trust. On the 7 April 2010 the Group completed a share buy back for £235m for 21% of the A shares

Missouri Bidco Limited changed its name to Matalan Finance Limited on 12 March 2010. Matalan Finance Limited became a Public Limited Company on 25 March 2010.

#### **17. Ultimate parent company**

The directors regard Matalan Group Limited (formerly Missouri PIKco Limited), a company registered in England and Wales, as the immediate parent company. According to the register kept by the company, Matalan Group Limited (formerly Missouri PIKco Limited) has a 100% interest in the equity capital of Matalan Finance plc (formerly Missouri Bidco Limited) at 27 February 2010. 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 27 February 2010 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.