

REGISTERED NUMBER: 05962488

MATALAN FINANCE PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 23 FEBRUARY 2019

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MATALAN FINANCE PLC

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MATALAN FINANCE PLC

DIRECTORS AND ADVISERS

Directors

J N Mills
J J Hargreaves
S Hill
G Pateras

Company Secretary

W G Lodder

Registered Office

Perimeter Road
Knowsley Industrial Park
Liverpool
L33 7SZ

Independent Auditor

KPMG LLP
Statutory Auditor
1 St Peter's Square
Manchester
M2 3AE

Solicitor

DLA Piper LLP
1 St Peter's Square
Manchester
M2 3DE

Banker

Lloyds Bank plc
King Street
Manchester
M2 4LQ

MATALAN FINANCE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 23 FEBRUARY 2019

The directors present their annual strategic report and the audited financial statements for the year ended 23 February 2019.

Review of business

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

Results

The result for the period was breakeven (2018: £13.5m loss) and the Company has net assets of £198.5m (2018: £198.5m). In the prior year, exceptional finance expense of £13.5m was incurred in relation to the redemption and full settlement of the first and second lien notes due 2019 and 2020 respectively and subsequent issue of £350m first lien and £130m second lien secured notes due 2023 and 2024 respectively.

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.

The risks below are the principal risks that may impact the Company achieving its strategic objectives.

Interest Rate Risk - Fluctuating interest rates could have an impact on cashflows and profit. The Company has long term interest bearing debt liabilities which are subject to fixed rates of interest. This fixed rate debt structure has significantly lowered interest rate risk faced by the Company.

Foreign Exchange Risk – The Group, and therefore the Company, is exposed to the risk of fluctuating foreign exchange rates. The Group uses forward foreign exchange contracts in order to manage its exposure to foreign exchange risk and wherever possible these are hedge accounted under IFRS 9. The Group has a treasury policy in place which limits how much can be purchased on a rolling 30 month basis. In accordance with this policy, the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

The exchange rates between the US dollar and other world currencies have fluctuated significantly in recent years and may continue to do so in the future. Following the UK referendum in June 2016, favouring Brexit, the pound sterling significantly weakened against the US dollar

By order of the board



S Hill

Director

19 June 2019

MATALAN FINANCE PLC

DIRECTORS' REPORT

The directors present their report for the year ended 23 February 2019.

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.

Directors' indemnities

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

Going concern

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. In light of the net current liability position, the directors have received confirmation that Missouri Topco Limited intends to support the Company for at least 12 months from the approval of these financial statements and thereafter for the foreseeable future.

Political donations

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

Dividends

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

Disclosure of information to the auditor

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

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

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S Hill
Director

19 June 2019

MATALAN FINANCE PLC

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

The directors are responsible for preparing the Strategic Report and 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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

1 Our opinion is unmodified

We have audited the financial statements of Matalan Finance Plc ("the Company") for the year ended 23 February 2019 which comprise Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 23 February 2019 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter, were as follows:

	The Risk	Our Response
The impact of uncertainties due to the UK exiting the European Union on our audit <i>Refer to page 2 (principal risks) and page 13 (accounting policy).</i>	Unprecedented levels of uncertainty All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of companies investments in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the company's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — Our Brexit knowledge: We considered the directors' assessment of Brexit-related sources of risk for the company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. — Sensitivity analysis: When addressing recoverability of company's investment in subsidiaries and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably

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

		<p>possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</p> <p>— Assessing transparency: As well as assessing individual disclosures as part of our procedures on recoverability of company's investment in subsidiaries we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</p> <p>However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</p>
<p>Recoverability of company's investment in subsidiaries £817.2m, (2018: £817.2m)</p> <p><i>Refer to page 14 (accounting policy) and page 19 (financial disclosures).</i></p>	<p>Low risk, high value</p> <p>The carrying amount of the company's investments in subsidiaries represents 93% (2018: 93%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the company financial statements, this is considered to be the area that had the greatest effect on our overall company audit.</p>	<p>Our procedures included:</p> <p>— Assessing subsidiary audits: Assessing the work performed by the subsidiary audit team on subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.</p> <p>— Our sector experience: As the carrying amount of investments exceeded the net asset value of the direct subsidiary, we compared the carrying amount of the investment with the expected value of the business based on discounted forecast cash flows.</p>

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

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements was set at £8.5m (2018: £14m), determined with reference to a benchmark of Net Assets of £198.5m (2018: £198.5m) of which it represents 4.5% (2018: 7%). We consider net assets to be the most appropriate benchmark given that the company's principal function is the issuing of listed debt securities and investments in group companies.

We agreed to report to the Board of Directors any corrected or uncorrected identified misstatements exceeding £0.4m (2018: £0.7m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and Directors' Report together with the financial statements. Our opinion on the financial statements does not cover those reports and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Strategic Report and Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- 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.

We have nothing to report in these respects.

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

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Reddington (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 St Peter's Square
Manchester
M2 3AE

24 June 2019

MATALAN FINANCE PLC

INCOME STATEMENT

	Note	52 weeks ended 23 February 2019 £'m	52 weeks ended 24 February 2018 £'m
Administrative expenses		-	-
Operating result		-	-
Finance costs	4	(36.9)	(36.7)
Finance income	4	36.9	36.7
Exceptional finance expense	16	-	(13.5)
Net finance expense	4	-	(13.5)
Loss before income tax	7	-	(13.5)
Income tax	8	-	-
Loss for the period		-	(13.5)


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

MATALAN FINANCE PLC

STATEMENT OF FINANCIAL POSITION AS AT 23 FEBRUARY 2019

	Note	2019 £'m	2018 £'m
Non-current assets			
Investments	9	817.2	817.2
Total non-current assets		817.2	817.2
Current assets			
Receivables	10	59.8	60.2
Total current assets		59.8	60.2
Total assets		877.0	877.4
Current liabilities			
Payables	12	(203.5)	(205.0)
Total current liabilities		(203.5)	(205.0)
Non-current liabilities			
Financial liabilities – borrowings	11	(475.0)	(473.9)
Total non-current liabilities		(475.0)	(473.9)
Total liabilities		(678.5)	(678.9)
Net assets		198.5	198.5
Capital and reserves			
Share capital	13	21.9	21.9
Retained earnings		176.6	176.6
Total shareholders' equity		198.5	198.5

The financial statements on pages 9 to 22 were approved by the board of directors on 19 June 2019 and signed on its behalf by:



S Hill
Director

Matalan Finance plc
Registered number: 05962488

MATALAN FINANCE PLC

STATEMENT OF CASH FLOWS

	Note	2019 £'m	2018 £'m
Movements in working capital:			
Increase in receivables		0.4	(0.3)
Increase in payables		(0.4)	18.2
Net cash flows from operating activities		-	17.9
Cash flows from financing activities			
Bonds redeemed		-	(480.0)
Early redemption charge		-	(11.7)
Bonds issued – capital		-	480.0
Bonds issued – costs		-	(6.2)
Net cash used in financing activities		-	(17.9)
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		-	-

MATALAN FINANCE PLC

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'m	Retained earnings £'m	Total equity £'m
As at 26 February 2017	21.9	190.1	212.0
Comprehensive expenditure			
Loss for the period	-	(13.5)	(13.5)
As at 24 February 2018	21.9	176.6	198.5
As at 25 February 2018	21.9	176.6	198.5
Comprehensive expenditure			
Result for the period	-	-	-
As at 23 February 2019	21.9	176.6	198.5

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. General information

The Company is a public limited company, wholly owned by Matalan Group Limited. The Company is incorporated and domiciled in England in the UK. The address of its registered office is Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared in and approved by the directors accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("adopted IFRSs") 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.

2.2 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 have had a material impact on the Company.

The Company has adopted the following standards and statements. The adoption of these standards has not had a material impact on the Company's accounts:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 Share-based payments

The Company has not early adopted the following standards and statements which are not yet effective:

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 16 Leases. The new standard is effective for annual reporting periods beginning on or after 1 January 2019. As such the new standard will be applicable to the Company for the financial year ending 29 February 2020.

2.3 Going concern

Notwithstanding net current liabilities of £143.7m as at 23 February 2019 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

The company has minimal cash and transactions are funded through intercompany accounts. The directors expect no change in operations of the company and thus do not expect any cash out flows in the next 12 months not funded by intragroup balances and therefore the company will have sufficient funds, through funding from its ultimate parent company, Missouri TopCo Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Missouri TopCo Limited not seeking repayment of the amounts currently due to the group, which at 23 February 2019 amounted to £59.8m and providing additional financial support during that period. Missouri TopCo Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.4 Critical accounting estimates and judgements

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

As at the 23 February 2019, the Company has not applied any estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.5 Finance income

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

2.6 Investments

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

2.7 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.

2.8 Deferred income tax

Deferred income tax is provided in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases of assets and liabilities. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the 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

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

income tax liability is settled or asset is realised.

A deferred income 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.

2.9 Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable issue 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 within finance costs 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.

2.10 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.

2.11 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.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Receivables

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

2.14 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.

2.15 Payables

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

2.16 Segmental reporting

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management

3.1 Financial risk factors

The financial risk management of the Company is managed by the Group. The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cashflow interest rate 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's 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. The Company's long-term borrowings are all fixed rate instruments which significantly reduces the Group'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. Banks and financial institutions are approved by the Board on a case by case basis, taking into account credit rating and investment criteria.

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 Bank plc and Barclays Bank plc.

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

(c) Liquidity risk

Liquidity risk is managed on a group basis.

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

Management monitors rolling forecasts of the Group's liquidity reserve comprising borrowing facilities and cash and cash equivalents on the basis of expected cash flow. This is generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

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

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.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 24 February 2018				
Borrowings (before deduction of £6.1m issue costs) including interest payable	(36.6)	(36.0)	(458.0)	(142.4)
Trade and other payables	(205.0)	-	-	-
	(241.6)	(36.0)	(458.0)	(142.4)
At 23 February 2019				
Borrowings (before deduction of £4.9m issue costs) including interest payable	(36.0)	(36.0)	(564.4)	-
Trade and other payables	(203.5)	-	-	-
	(239.5)	(36.0)	(564.4)	-

4. Net Finance Costs

	2019 £'m	2018 £'m
Finance costs and similar charges:		
Interest payable on notes	(35.7)	(35.6)
Amortisation of finance costs:		
Notes costs	(1.2)	(1.1)
Finance costs	(36.9)	(36.7)
Finance income:		
Loan interest and other finance costs recharged to group companies	36.9	36.7
Finance income	36.9	36.7
Exceptional finance expense (note 16)	-	(13.5)
Net finance expense	-	(13.5)

5. Directors' emoluments

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

The remuneration paid to the directors of Matalan Finance plc was:

	2019 £'m	2018 £'m
Aggregate emoluments (including benefits in kind)	1.7	1.3
Performance bonuses and other emoluments	0.9	1.6
	2.6	2.9

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Employee information

The Company had no employees during the period (2018: none).

7. Loss before income tax

The audit fee for the Company amounting to £8,000 (2018: £8,000) is borne by a fellow group company. The total fee for the Group is £0.2m (2018: £0.1m). A detailed breakdown of all audit and non-audit fees payable to the auditor can be found in the financial statements of Missouri Topco Limited.

8. Income tax expense

The income tax expense for the period is the lower than (2018: lower than) the rate of corporation tax in the UK of 19% (2018: 19.09%). The rate of corporation tax is based on a weighted average rate. A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2018.

	2019 £'m	2018 £'m
Loss before income tax	-	(13.5)
Loss before income tax multiplied by a rate of corporation tax of 19% (2018: 19.09%)	-	(2.6)
Effects of:		
Non taxable income	(7.4)	(7.4)
Group relief surrendered	7.4	10.0
Total income tax expense in the period	-	-

Deferred income tax

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

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Investments

Cost and net book value	Investment in subsidiaries £'m
At 23 February 2019 and 24 February 2018	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 its registered address is Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ. 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	% interest held and voting rights
Matalan Retail Limited	Retail	100
Jonmar Limited	Property	100
Matalan Travel Limited	Travel services	100
Matalan Investments Limited	Holding company	100
HP01 Nominees Limited	Distribution	100
Matalan Holding Company Limited	Holding company	100
Matalan Direct Limited	Retail	100

All of the above companies have the following registered address: Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ

10. Receivables – current

	2019 £'m	2018 £'m
Amounts owed by group undertakings	59.8	60.2

11. Financial liabilities – borrowings

	2019 £'m	2018 £'m
Non current		
First Lien Secured Notes (net of £3.5m issue costs (2018: £4.4m)) maturity date 2023	(346.4)	(345.6)
Second Lien Secured Notes (net of £1.4m issue costs (2018: £1.7)) maturity date 2024	(128.6)	(128.3)
	(475.0)	(473.9)

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Borrowings are all denominated in sterling at 23 February 2019. The Group had no short-term borrowings during the period (2018: £nil). In the prior period the Company issued £350m First Lien Secured Notes and £130m Second Lien Secured Notes due 2023 and 2024 respectively. Issue costs of £6.2m were incurred and are being amortised over the terms of the facilities. Further details can be found in note 16.

A proportion of the Second Lien Secured Notes are held by shareholders of the Company.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

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.

Maturity of Secured Notes

	2019 £'m	2018 £'m
Less than one year	-	-
One to five years	480.0	350.0
Five to ten years	-	130.0
	480.0	480.0
Unamortised issue costs	(5.0)	(6.1)
	475.0	473.9
Current	-	-
Non-current	475.0	473.9
	475.0	473.9

12. Payables - current

	2019 £'m	2018 £'m
Amounts owed to group undertakings	(201.2)	(201.3)
Accruals and deferred income	(2.3)	(3.7)
	(203.5)	(205.0)

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

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Share capital

	10p 'A' ordinary shares Number	Total value £'m
Issued and fully paid		
At 24 February 2019 and 25 February 2018	218,688,222	21.9

14. Contingent liabilities

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

15. Related party transactions

The Company has a related party relationship with other group undertakings, its parent company and with its directors and executive officers. During the financial period the Company entered into transactions, in the ordinary course of business, with other related parties as follows:

	2019 £'m	2018 £'m
Transactions with group undertakings:		
Funds borrowed	(36.7)	(59.2)
Interest receivable	36.9	36.7
	0.2	(22.5)
Amounts owed to parent	(290.6)	(290.6)
Amounts owed from group undertakings	149.4	149.2

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

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

Net liabilities settled by other group companies on behalf of the Company under the cash pooling arrangement are as follows:

	2019 £'m	2018 £'m
Transactions with subsidiary undertakings:		
Notes / loan interest payments	(36.5)	(35.8)
Bond refinancing/ other fees	(0.3)	(23.4)
	(36.8)	(59.2)

In the prior period the Company issued £350m First Lien Secured Notes and £130m Second Lien Secured Notes due 2023 and 2024 respectively.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Key management are the directors of the Company. The directors' remuneration for their services to the Company has been borne by a fellow group company (refer to note 5).

16. Exceptional items

Exceptional items are comprised as follows:

	2019 £'m	2018 £'m
Finance (expense)/income	-	(13.5)
Exceptional items – finance (expense)/income	-	(13.5)
Total exceptional items	-	(13.5)

In January 2018, the Group issued £350m First Lien secured notes due 2023 and £130m Second Lien unsecured notes due 2024. The proceeds of this offering were used to refinance in full the existing bond issues. Costs, fees and expenses in connection with the refinancing of £13.5m were paid out of cash reserves. These costs have been treated as exceptional in the prior year.

17. 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 2019. The company's registered address is Matalan Group Limited, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ. The directors regard Missouri Topco Limited, a company registered in Guernsey, as the ultimate parent company. The company's registered address is Missouri Topco Limited, 1st Floor, Tudor House, Le Bordage, St Peter Port, Guernsey, GY1 1DB. The Company regards the Hargreaves family as the ultimate controlling party throughout the period.

Missouri Topco Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 23 February 2019. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.