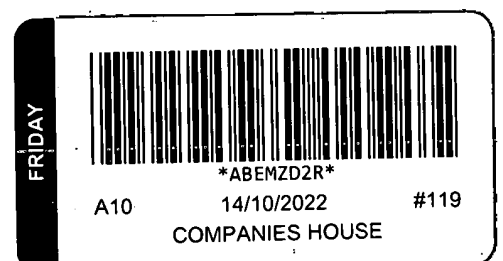


REGISTERED NUMBER: 05962488

MATALAN FINANCE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 26 FEBRUARY 2022



MATALAN FINANCE PLC

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MATALAN FINANCE PLC

DIRECTORS AND ADVISERS

Directors

S M Hill

J R Brown

S R Johnson (resigned 26 July 2022)

J Hargreaves (appointed 24 August 2022 and resigned 25 September 2022)

D W C Mallon (appointed 1 September 2022)

T K Issacs (appointed 1 September 2022)

P D Copley (appointed 23 September 2022)

Company Secretary

W G Lodder

Registered Office

Perimeter Road

Knowsley Industrial Park

Liverpool

L33 7SZ

Independent Auditor

KPMG LLP

1 St Peter's Square

Manchester

M2 3AE

Solicitor

Clifford Chance LLP

10 Upper Bank Street

London

E14 5JJ

Banker

Lloyds Bank plc

King Street

Manchester

M2 4LQ

MATALAN FINANCE PLC

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022

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

Review of business

The Company continues to be a debt and investment holding company.

Results

The result for the period was breakeven (2021: breakeven) and the Company has net assets of £198.5m (2021: £198.5m).

Principal risks and uncertainties

The responsibility of monitoring financial risk management and treasury responsibilities and procedures lies with the board of directors.

As the Company is a subsidiary in the group of companies headed by Missouri Topco Limited, the policies set by the board of directors are implemented by the Group's finance department and the risks facing the Company mirror those of the wider Matalan group (the Group).

The Group (and therefore indirectly the Company) are exposed to the following risks:

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

Nevertheless, despite no further government mandated lockdowns being introduced in the UK, the 52 weeks to 26 February 2022 were punctuated by a number of market and economic disruptions caused by the COVID-19 pandemic.

International shipping was severely impacted by the pandemic leading to worldwide supply-chain delays, whilst the rise in the Omicron variant in Winter 2021 led to extremely high infection levels severely impacting everyday life.

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

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

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

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

MATALAN FINANCE PLC

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

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.

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.

Post Balance Sheet Events

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

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

By order of the board



S Hill
Director
Perimeter Road,
Knowsley Industrial Park
Liverpool
L33 7SZ
13 October 2022

MATALAN FINANCE PLC

DIRECTORS' REPORT

The directors present their report for the 52 weeks ended 26 February 2022.

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

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

Political donations

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

Dividends

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

Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on Page 2.

MATALAN FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

Disclosure of information to the auditor

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

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

Independent auditor

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

By order of the board



S Hill
Director
Perimeter Road,
Knowsley Industrial Park
Liverpool
L33 7SZ
13 October 2022

MATALAN 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, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.



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 52 week period ended 26 February 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows, and 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 the Company's affairs as at 26 February 2022 and of its results for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 we remain 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 Material uncertainty related to going concern

	The risk	Our response
<p>Going concern</p> <p>We draw attention to note 2.3 to the financial statements which describes how the Company is reliant on trade with other entities under common ownership of Missouri Topco Limited and the fact that this wider Group is subject to uncertainties over its going concern as it is dependent on the intentions of the new owners following a possible change in ownership of the Matalan Group.</p> <p>These events and conditions, along with the other matters explained in note 2.3 constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.</p> <p>Our opinion is not modified in respect of this matter.</p>	<p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Company's business model and financing, and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risk for our audit is whether or not those risks are such that they amount to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Funding assessment: Assessed the Company's financing agreements including the terms of the existing First and Second Secured Lien Notes, the 1.5 Lien Secured Notes, Shareholders Notes, and Matalan Retail Limited's financing agreements including the revolving credit facility and covenants, and revisions. Discussed with management and their advisors the status and plan of refinancing. Considered the effects on the agreement entered into to address the forthcoming First Lien bond maturity. • Historical comparisons: Evaluated the historical accuracy of forecasts including key inputs of sales and operating costs;

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

<p><i>Refer to pages 2-3 (principal risks) and pages 17-19 (accounting policy).</i></p>	<p>been done) and, along with a description of the circumstances, is a key financial statement disclosure.</p>	<ul style="list-style-type: none"> • Key dependency assessment: Assessed the Group's cash flow forecast to identify key inputs for further enquiry. The key inputs included sales growth, gross margin, overheads, inventory holding and creditor days; • Sensitivity analysis: We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; • Evaluating directors' intent: We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risk materialise; and • Assessing transparency: Assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing the overall position against our understanding of the risks.
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3 Other key audit matters: our assessment of risks of material misstatement.

Key audit matters are those matters that, in our professional judgement, 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. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2021).

	The risk	Our response
<p><i>Recoverability of Company's investment in subsidiaries</i> <i>£817.2m (2021: £817.2m)</i></p>	<p><i>Low risk, high value</i> The carrying amount of the Company's investment in its subsidiary represents 93% (2021: 93%) of the Company's</p>	<p>Our procedures included:</p> <p><i>Our sector experience:</i></p> <ul style="list-style-type: none"> • <i>As the carrying amount of investments exceeded the net asset value of the direct</i>

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

<p><i>Refer to page 20 (accounting policy) and pages 27-28 (financial disclosures).</i></p>	<p>total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its 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><i>subsidiary, we compared the carrying amount of the investment with the expected value of the business based on discounted forecast cash flows. We have also assessed the cash flows for accuracy through comparison of the assumptions to external market and our underlying audit work; and</i></p> <p>Assessing subsidiary audits</p> <ul style="list-style-type: none"> • <i>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.</i>
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4 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £3.0m (2021: £3.0m), determined with reference to a benchmark of Net Assets of £200.3m (2021: £198.6m) of which it represents 1.5% (2021: 1.5%). We consider a benchmark of net assets of £198.5m (2021: £198.5m) 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 £0.1m (2021: £0.1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

5 Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic for at least twelve months from the date of approval of the financial statements ("the going concern period"). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out section 2 of our report.

Our conclusions based on this work:

we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors and other management as to the Company’s policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post-closing journal entries; and
- Incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Company’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. 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 the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

8 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, 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.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements including 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.

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

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.

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

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



Andrew Reddington (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
13 October 2022

MATALAN FINANCE PLC

INCOME STATEMENT

	Note	52 weeks ended 26 February 2022 £'m	53 weeks ended 27 February 2021 £'m
Administrative expenses		-	-
Operating result		-	-
Finance costs	4	(47.4)	(43.7)
Finance income	4	47.4	43.7
Net finance expense	4	-	-
Profit before income tax	7	-	-
Income tax	8	-	-
Profit for the period		-	-

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

MATALAN FINANCE PLC

STATEMENT OF FINANCIAL POSITION AS AT 26 FEBRUARY 2022

	Note	2022 £'m	2021 £'m
Non-current assets			
Investments	9	817.2	817.2
Receivables	10	59.8	59.8
Total non-current assets		877.0	877.0
Total assets		877.0	877.0
Current liabilities			
Financial liabilities – borrowings	11	(375.5)	-
Payables	12	(146.2)	(165.5)
Total current liabilities		(521.7)	(165.5)
Non-current liabilities			
Financial liabilities – borrowings	11	(156.8)	(513.0)
Total non-current liabilities		(156.8)	(513.0)
Total liabilities		(678.5)	(678.5)
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 13 to 31 were approved by the board of directors on 13 October 2022 and signed on its behalf by:



S Hill
Director

Matalan Finance plc
Registered number: 05962488

MATALAN FINANCE PLC

STATEMENT OF CASH FLOWS

	Note	2022 £'m	2021 £'m
Profit after tax		-	-
Adjustments for:			
Finance costs	4	47.4	43.7
Finance income	4	(47.4)	(43.7)
Operating cash flows before movements in working capital		-	-
Movements in working capital:			
Decrease in payables		(0.1)	(18.8)
Net cash flows from operating activities		(0.1)	(18.8)
Cash flows from investing activities			
Interest received		28.1	26.3
Net cash generated from investing activities		28.1	26.3
Cash flows from financing activities			
Bonds issued	15	-	27.7
Issue costs	15	0.1	(8.9)
Interest paid	15	(28.1)	(26.3)
Net cash used in financing activities		(28.0)	(7.5)
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 1 March 2020	21.9	176.6	198.5
Comprehensive expenditure			
Result for the period	-	-	-
As at 27 February 2021	21.9	176.6	198.5
As at 28 March 2021	21.9	176.6	198.5
Comprehensive expenditure			
Result for the period	-	-	-
As at 26 February 2022	21.9	176.6	198.5

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a public limited company, limited by shares, and owned by Matalan Group Limited. The Company is incorporated and domiciled in England in the UK. The financial statements are presented in sterling, which is the Company's functional currency. All amounts presented in the financial statements have been rounded to the nearest £0.1m, unless otherwise stated. The address of its registered office is Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRSs"). The financial statements have been prepared on 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

The Company has adopted the following IFRSs in these financial statements:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform has been adopted from 1 March 2020. This has been applied retrospectively to hedging relationships that existed at 1 March 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to any gain or loss accumulated in the cash flow hedging reserve that existed at 1 March 2020.
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Annual Improvements to IFRS Standards 2018–2020

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

2.3 Going concern

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

The Company has net current liabilities of £521.7m (2021: £165.5m) and net assets of £198.5m (2021: £198.5m) with sufficient cash resources to meet working capital requirements.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Going concern (continued)

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

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

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

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

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

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

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

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

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Going concern (continued)

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

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

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

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

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

In the directors’ opinion, Matalan has a unique and attractive position in its chosen markets which will lead to significant levels of interest from prospective strategic and financial buyers. However, at this stage there can be no assurance of the outcome of the sales process or the intentions for the business of any potential third-party buyer, due to the risk inherent in any sales process.

On the basis of a successful strategic sales process or the alternative recapitalisation transaction, the Group will be sold or pass ownership as a going concern. However, the potential change in ownership and unknown intentions of any future owners represents a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern, and to realise its assets and discharge its liabilities in the normal course of business.

Taking all of the above matters into account, the directors believe it is reasonable to anticipate that the group’s forthcoming debt maturity will be addressed either through the strategic sales process or alternative recapitalisation transaction, and have therefore concluded that it remains appropriate to adopt the going concern basis in the preparation of these financial statements. The Company financial statements therefore do not include any adjustments that would result from the basis of preparation being inappropriate.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.4 Critical accounting estimates and judgements

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

As at the 26 February 2022, the Company has not applied any estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.5 Finance income and expenditure

Financing expenses include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

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 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.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 Company 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 any expected credit loss (see note 2.17).

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.

2.17 Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables with significant financing component are measured using the general model described above.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.17 Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency S&P.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.18 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

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 Company to cash flow interest rate risk. The Company's long-term borrowings are all fixed rate instruments which significantly reduces the Companies 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

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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.

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 27 February 2021				
Borrowings (before deduction of £8.4m issue costs) including interest payable	(28.2)	(415.0)	(166.0)	-
Trade and other payables	(165.5)	-	-	-
	(193.7)	(415.0)	(166.0)	-
At 26 February 2022				
Borrowings (before deduction of £3.0m issue costs) including interest payable	(416.2)	(111.1)	(67.0)	-
Trade and other payables	(146.2)	-	-	-
	(562.4)	(111.1)	(67.0)	-

3.2. Fair value estimation

The table below analyses financial liabilities carried at fair value or amortised cost. The different fair value levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Financial risk management (continued)

3.2 Fair value estimation (continued)

The fair values of all financial assets and liabilities by class together with their carrying amount shown in the balance sheet are as follows:

Financial assets

	Fair value level 2		Carrying amount	
	2022 £'m	2021 £'m	2022 £'m	2021 £'m
Financial assets measured at amortised cost				
Amounts owed by group undertakings	-	-	59.8	59.8
	-	-	59.8	59.8

Financial liabilities

	Fair value level 2		Carrying amount	
	2022 £'m	2021 £'m	2022 £'m	2021 £'m
Financial liabilities measured at amortised cost				
Amounts owed to group undertakings	-	-	(143.8)	(163.2)
Accrued interest	-	-	(2.4)	(2.5)
Borrowings	-	-	(532.3)	(513.0)
	-	-	(678.5)	(678.7)

Trade and other payables and receivables

The fair values of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

Long term and short term borrowings

The fair value of bank loans and other loans approximates their carrying value where they have interest rates based on LIBOR/SONIA. Where the debt is listed, management have estimated fair value based on the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2 fair value estimation).

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Net finance costs

	2022 £'m	2021 £'m
Finance costs and similar charges:		
Interest payable on notes	(42.1)	(39.5)
Amortisation of finance costs:		
Notes costs	(5.3)	(4.2)
Finance costs	(47.4)	(43.7)
Finance income:		
Loan interest and other finance costs recharged to group companies	47.4	43.7
Finance income	47.4	43.7
Net finance expense	-	-

5. Directors' emoluments

The directors of Matalan Finance plc did not receive any remuneration for their services to the Company in the current or prior year. The total remuneration for the directors for their services to the Group is disclosed below:

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

Amounts paid to the highest paid director:

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

6. Employee information

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

7. Loss before income tax

The audit fee for the Company amounting to £11,000 (2021: £11,000) is borne by a fellow group company. The total fee for the Group is £0.3m (2021: £0.3m). A detailed breakdown of all audit and non-audit fees payable to the auditor can be found in the financial statements of Missouri Topco Limited.

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Income tax credit

The income tax expense for the period is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The rate of corporation tax is based on a weighted average rate. A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. On 24 May 2021 the increase in the corporation tax rate to 25% announced in the March 2021 Budget was substantively enacted (effective from 1 April 2023). This will increase the company's future current tax charge accordingly.

	2022 £'m	2021 £'m
Profit before income tax	-	-
Profit before income tax multiplied by a rate of corporation tax of 19% (2021: 19%)	-	-
Effects of:		
Non-taxable income	(9.0)	(8.3)
Group relief surrendered	9.0	8.3
Total income tax credit in the period	-	-

Deferred income tax

The Company had an unrecognised deferred income tax asset of £1.4m, attributable to tax losses, at the end of the prior period calculated using a tax rate of 19%. The unrecognised deferred income tax asset has been restated using a tax rate of 25% in the current period to £1.8m.

9. Investments

Investment in subsidiaries £'m

Cost and net book value

At 26 February 2022 and 27 February 2021	817.2
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The Company holds 100% of the ordinary share capital of Matalan Limited, of which there is one class. 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
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

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Investments (continued)

In the prior year the Group disposed of the wholly owned subsidiary, Jonmar Limited, in which Matalan Finance Plc previously had an indirect interest.

The Company also indirectly owns 100% of the preference share capital of Matalan Holding Company Limited.

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

10. Receivables – non-current	2022	2021
	£'m	£'m
Amounts owed by group undertakings	59.8	59.8

Amounts owed by group undertakings are presented within non-current assets on the basis that there is currently no intention for the Company to seek the settlement of the balance in the next 12 months.

11. Financial liabilities – borrowings

	2022 £'m	2021 £'m
Current		
6.75% First Lien Secured Notes (net of £0.8m issue costs (2021: net of £1.7m issue costs)) maturity date 2023	(349.2)	-
16.5% 1.5 First Lien secured notes (net of £1.4m issue costs (2021: net of £5.5m issues costs)) maturity date 2022	(26.3)	-
	<u>(375.5)</u>	<u>-</u>
Non-current		
6.75% First Lien Secured Notes (net of £0.8m issue costs (2021: net of £1.7m issue costs)) maturity date 2023	-	(348.3)
9.5% Second Lien Secured Notes (net of £0.5m issue costs (2021: net of £0.8m issue costs)) maturity date 2024	(79.5)	(79.2)
9.5% Shareholder notes (net of £0.3m issue costs (2021: net of £0.4m issue costs)) maturity date 2024	(49.7)	(49.6)
16.5% 1.5 First Lien secured notes (net of £1.4m issue costs (2021: net of £5.5m issues costs)) maturity date 2022	-	(22.2)
Accrued PIK Interest (2021: £13.7m)	(27.6)	(13.7)
	<u>(156.8)</u>	<u>(513.0)</u>

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Financial liabilities – borrowings (continued)

Borrowings are all denominated in sterling at 26 February 2022. In the financial period ended 24 February 2018 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.

A proportion of the Second Lien Secured Notes are held by shareholders of the Company. During the prior year the Company issued £27.7m 1.5 lien secured notes. Issue costs of £8.5m were incurred in relation to the 1.5 lien secured notes. In addition, the Company subordinated £50m of the second lien and Shareholder notes and agreed that interest would be accrued on a PIK basis.

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

	2022 £'m	2021 £'m
Less than one year	377.7	-
One to five years	157.6	521.4
	535.3	521.4
Unamortised issue costs	(3.0)	(8.4)
	532.3	513.0
Current	375.5	-
Non-current	156.8	513.0
	532.3	513.0

12. Payables - current

	2022 £'m	2021 £'m
Amounts owed to group undertakings	(143.8)	(163.2)
Accruals and other payables	(2.4)	(2.3)
	(146.2)	(165.5)

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 ordinary shares	Total value £'m
	Number	
Issued and fully paid		
At 26 February 2022 and 27 February 2021	218,688,222	21.9

The shares of Matalan Finance plc consist of one class of ordinary shares, 100% of which are owned by Matalan Group Limited.

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:

	2022 £'m	2021 £'m
Transactions with group undertakings:		
Funds borrowed	(28.1)	(35.2)
Funds provided	-	27.7
Interest receivable	47.4	43.7
	19.3	36.2
Amounts owed to parent	(55.1)	(55.1)
Amounts owed to group undertakings	(28.8)	(48.2)

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:

	2022 £'m	2021 £'m
Transactions with subsidiary undertakings:		
Notes / loan interest payments	(28.2)	(26.3)
Bond refinancing/ other fees	0.1	(8.9)
	(28.1)	(35.2)

MATALAN FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Related party transactions (continued)

At the reporting date, the directors of the Company and their immediate relatives controlled 100 per cent of the voting shares of the Company.

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. 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 26 February 2022. 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 26 February 2022. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

17. Post Balance Sheet Events

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

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