

REGISTERED NUMBER: 05974909

MATALAN GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 25 FEBRUARY 2012

FRIDAY



A195POW0

A10

18/05/2012

#401

COMPANIES HOUSE

MATALAN GROUP LIMITED

CONTENTS

	Pages
Directors and advisers	1
Directors' report	2
Independent Auditors' report to the members of Matalan Group Limited	4
Income statement	6
Balance sheet	7
Statement of changes in shareholders' equity	8
Notes to the financial statements	9

MATALAN GROUP LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

J N Mills (Chairman)
D Blackhurst (appointed 26 May 2011)
P J T Gilbert

COMPANY SECRETARY

P J T Gilbert

REGISTERED OFFICE

Gillibrands Road
Skelmersdale
West Lancashire
WN8 9TB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

SOLICITORS

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

BANKER

Lloyds TSB Bank Plc
King Street
Manchester
M2 4LQ

MATALAN GROUP LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2012

The directors present their report and the audited financial statements of the company for the 52 weeks ended 25 February 2012

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 of Matalan Finance plc and its subsidiary companies and the company expects to continue as such going forward

RESULTS

The loss for the period was £(0.5)m (2011 profit of £242.0m) The company has net assets of £446.5m (2011 £447.0m)

RISK MANAGEMENT

The responsibility of monitoring financial risk management and treasury responsibilities and procedures lie 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 principle risks that may impact the company achieving its strategic objectives

Interest Rate Risk – The company no longer holds external debt and is therefore no longer exposed to interest rate risk

DIVIDENDS

The company did not issue any dividends in the current year. The company issued a dividend of £235.5m in the prior year to Missouri Topco Limited. This was settled through intercompany accounts.

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.

MATALAN GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to

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

The directors are responsible for keeping 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

INDEPENDENT AUDITORS

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next annual general meeting.

On behalf of the Board



P J T Gilbert
Director
16 May 2012

MATALAN GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MATALAN GROUP LIMITED

We have audited the financial statements of Matalan Group Limited for the 52 weeks ended 25 February 2012 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and Auditors

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 February 2012 and of its loss for the 52 weeks then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

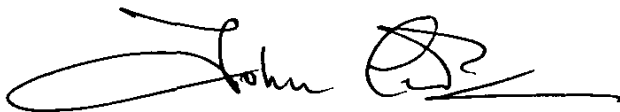
MATALAN GROUP LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MATALAN GROUP LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'John Cowling', followed by a circular stamp or seal.

John Cowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
16 May 2012

MATALAN GROUP LIMITED

INCOME STATEMENT

	Note	52 weeks ended 25 February 2012 £'m	52 weeks ended 26 February 2011 £'m
Operating result		-	-
Finance costs	7	-	(0 1)
Exceptional refinancing costs	7, 18	-	(2 5)
Finance income	7	-	0 1
Net finance costs	7	-	(2 5)
Income from shares in group undertakings		-	244 5
Profit before income tax	8	-	242 0
Income tax credit/(expense)	9	(0.5)	-
(Loss)/profit for the period		(0.5)	242 0

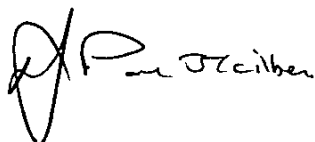
The company has no other comprehensive expenditure/income other than the (loss)/profit for the period

MATALAN GROUP LIMITED

BALANCE SHEET

	Note	2012 £'m	2011 £'m
Assets			
Investments	11	437.4	437.4
Total non-current assets		437.4	437.4
Receivables	12	55.1	55.1
Current tax asset		-	0.5
Total current assets		55.1	55.6
Total assets		492.5	493.0
Liabilities			
Payables	13	(46.0)	(46.0)
Total current liabilities		(46.0)	(46.0)
Net assets		446.5	447.0
Capital and reserves			
Share capital	14	21.9	21.9
Share premium		415.5	415.5
Warrant reserve	14	3.1	3.1
Retained earnings		6.0	6.5
Total shareholders' equity		446.5	447.0

The financial statements on pages 6 to 17 were approved by the board of directors on 16 May 2012 and signed on its behalf by



P J T Gilbert
Director

Matalan Group Limited
Registered number 05974909

MATALAN GROUP LIMITED**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital £'m	Share premium £'m	Warrant reserve £'m	Retained earnings £'m	Total equity £'m
As at 28 February 2010	21.9	415.5	3.1	-	440.5
Comprehensive income					
Profit for the period	-	-	-	242.0	242.0
Transactions with owners					
Dividends paid to shareholders (note 10)	-	-	-	(235.5)	(235.5)
As at 26 February 2011	21.9	415.5	3.1	6.5	447.0
As at 27 February 2011	21.9	415.5	3.1	6.5	447.0
Comprehensive expenditure					
Loss for the period	-	-	-	(0.5)	(0.5)
As at 25 February 2012	21.9	415.5	3.1	6.0	446.5

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

2. Summary of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention as modified by financial assets and financial liabilities 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 Group Limited as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Missouri Topco Limited, a company incorporated in Guernsey.

New standards, amendments to standards or interpretations

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

At the date of authorisation of these financial statements, the IASB and IFRIC have issued new or amended standards and interpretations which were in issue but not effective for the financial year and not early adopted,

- IFRS 7, 'Financial instruments - disclosures' (effective 1 January 2013)
- IFRS 9, 'Financial instruments' (effective 1 January 2015)
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013)
- IFRS 13, 'Fair value measurement' (effective 1 January 2013)
- IAS 19 (revised 2011), 'Employee benefits' (effective 1 July 2012)
- IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013)
- IAS 32 'Financial instruments - presentation' (effective 1 January 2014)
- Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012)
- Amendment to IAS 1, 'Presentation of financial statements' on other comprehensive income (effective 1 July 2012)

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

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of accounting policies (continued)

Finance income

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

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.

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.

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.

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.

Warrants

Warrants issued to subscribe for 'A' ordinary shares in the company are valued at fair value at the date of grant. Fair value is calculated using a Black Scholes model. Where warrants are issued in conjunction with debt financing, they are treated as an attributable transaction cost of the related debt, accordingly their cost is treated as a deduction in borrowings and is amortised in the income statement as a finance cost over the term of the borrowings.

Share capital

Ordinary shares are classified as equity.

Receivables

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

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of accounting policies (continued)

Payables

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

3. Financial risk management

The financial risk management of the company is managed by the group. The company's activities expose it to market risk (including fair value interest rate risk and cash flow interest rate 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 company treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks.

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. Borrowings issued at fixed rates expose the company to fair value interest rate risk. The company no longer holds any external debt and therefore is no longer exposed to interest rate risk.

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Critical accounting estimates and judgements

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

As at the 25 February 2012, the company has not applied any estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Directors' emoluments

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

6. Employee information

There were no employees during the period (2011: none).

7. Finance income and costs

	2012 £'m	2011 £'m
Interest - PIK notes	-	(0.1)
Finance costs	-	(0.1)
Exceptional refinancing costs	-	(2.5)
Loan interest and other finance costs recharged to group companies	-	0.1
Finance income	-	0.1
Net finance costs	-	(2.5)

8. Profit before income tax

The audit fee for the company amounting to £9,000 (2011: £9,000) is borne by a fellow group company. The total fee for the group is £0.1m (2011: £0.1m).

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Income tax

Analysis of expense in the period

	2012 £'m	2011 £'m
Current income tax		
UK corporation tax – adjustment in respect of prior periods	0.5	-
Total income tax expense	0.5	-

The company income tax charge for the period is higher than (2011 lower) the rate of corporation tax at 26.17% (2011 28.0%). The rate of corporation tax is based on a weighted average rate. The standard rate of corporation tax reduced from 28% to 26% on 1 April 2011.

The differences are explained below:

	2012 £'m	2011 £'m
Profit before income tax	-	242.0
Profit before income tax multiplied by the rate of corporation tax in the UK of 26.17% (2011 28.0%)	-	67.8
Effects of:		
Non-taxable income	-	(68.5)
Group relief surrendered	-	0.7
Adjustment in respect of prior period	0.5	-
Total income tax expense in the period	0.5	-

In his budget of 21 March 2012, the Chancellor of the Exchequer announced tax changes including phased reductions in the corporation tax rate to 22% from 1 April 2014. As at February 2012, only the reduction in rate to 25% had been substantively enacted with no material impact on the deferred tax of the company.

10. Dividends

	2012 £'m	2011 £'m
Amounts recognised as distributions to equity shareholders in the period		
Dividend of £nil (2011 £235.5m paid to Missouri Topco Limited)	-	235.5
	-	235.5

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Investments

	Investment in subsidiary £'m
Cost and net book value	
At 28 February 2010	437.4
Investment in subsidiary undertaking	-
At 26 February 2011	437.4
At 27 February 2011	437.4
Investment in subsidiary undertaking	-
At 25 February 2012	437.4

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

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

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

12. Receivables - current

	2012 £'m	2011 £'m
Amounts owed by group undertakings	55.1	55.1

13. Payables - current

	2012 £'m	2011 £'m
Amounts owed to group undertakings	(46.0)	(46.0)

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Share capital and reserves

Ordinary share capital

	10p 'A' ordinary shares Number	Total Value £'m
Allotted, called up and fully paid		
At 25 February 2012 and 26 February 2011	218,688,223	21.9

Reserves

Warrant reserve

Warrants to subscribe for 0.75% of the issued 'A' ordinary shares in the company were granted on 22 December 2006. The warrants have an exercise price of 10p per share. The warrants are exercisable on the earlier of a change in control of the group, repayment of the PIK debt and liquidation. The fair value of the warrants as valued at the date of grant using a Black Scholes model and spread across the expected term, with the resulting charge accounted for as a finance cost. The key inputs into the valuation were fair value at grant date of £2, expected volatility of 40%, expected term of 5 years, expected dividend yield of nil and a risk free interest rate of 5.66%. The volatility assumption of 40% was based upon historic volatility data. The fair value of the total number of warrants was calculated at £3.1m. The remaining unamortised charge was accelerated when the PIK debt was repaid on 30 March 2010. £1.1m was charged to exceptional refinancing costs during 2011. The warrants have not yet been exercised.

15. Cash flows from operating activities

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

16. Contingent liabilities

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

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Related party transactions

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

	2012 £'m	2011 £'m
Transactions with parent company		
Dividend paid	-	(235.5)
	-	(235.5)
Transactions with subsidiary undertakings		
Dividends received	-	244.5
Repayment of PIK notes	-	(8.4)
PIK note interest	-	0.1
	-	236.2
Amounts owed to parent	(235.5)	(235.5)
Amounts due from other group undertakings	244.6	244.6

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

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

	2012 £'m	2011 £'m
Transactions with subsidiary undertakings		
Repayment of PIK notes	-	(8.4)
	-	(8.4)

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

Key management is the directors of the company. The compensation paid or payable to key management for employee services to the company has been borne by another group company (refer to note 5).

18. Exceptional items

	2012 £'m	2011 £'m
Refinancing costs	-	(2.5)
Exceptional items – finance costs	-	(2.5)
Total exceptional items	-	(2.5)

Refinancing costs

The prior year £2.5m exceptional refinancing cost expensed within net finance costs relates to the write off of unamortised issue costs associated with the previous PIK notes facilities.

MATALAN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Ultimate parent company

The directors regard Missouri Topco Limited, a company registered in Guernsey, as the immediate parent company. According to the register kept by the company, Missouri Topco Limited has a 100% interest in the equity capital of Matalan Group Limited at 25 February 2012.

The directors regard 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 25 February 2012. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Gillibrands Road, Skelmersdale, West Lancashire, WN8 9TB.