

# AM06

## Notice of approval of administrator's proposals



Companies House

WEDNESDAY



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A06

15/02/2023

#147

COMPANIES HOUSE

### 1 Company details

Company number 0 5 9 7 4 9 0 9

Company name in full MGR Realisations Limited

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Please complete in typescript or in  
bold black capitals

### 2 Court details

Court name In the High Court of Justice, Business and Property  
Courts of England and Wales, Insolvency and Companies List (ChD)

Court case number C R - 2 0 2 3 - 0 0 0 4 5 3

### 3 Administrator's name

Full forename(s) Matthew

Surname Mawhinney

### 4 Administrator's address

Building name/number 156 Great Charles Street

Street Queensway

Post town County/ Birmingham

Region

Postcode B 3 3 H N

Country

# AM06

Notice of approval of administrator's proposals

<b>5 Administrator's name</b>		<b>Other administrator</b> Use this section to tell us about another administrator.																
Full forename(s)	Daniel Francis																	
Surname	Butters																	
<b>6 Administrator's address</b>		<b>Other administrator</b> Use this section to tell us about another administrator.																
Building name/number	156 Great Charles Street																	
Street	Queensway																	
Post town County/	Birmingham																	
Region																		
Postcode	B 3 3 H N																	
Country																		
<b>7 Date administrator(s) appointed</b>																		
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<b>8 Date statement of proposals delivered to creditors</b>																		
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Administrator's signature	<table border="1"><tr><td>Signature</td><td><table border="1"><tr><td>X</td><td>M. Mawt</td><td>X</td></tr></table></td></tr></table>	Signature	<table border="1"><tr><td>X</td><td>M. Mawt</td><td>X</td></tr></table>	X	M. Mawt	X												
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# AM06

Notice of approval of administrator's proposals



## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Parth Patel

Company name Teneo Financial Advisory Ltd

Address 156 Great Charles Street  
Queensway

Post town Birmingham

County/Region

Postcode B 3 3 H N

Country

DX

Telephone +44 121 619 0120



## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have signed and dated the form.



## Important information

All information on this form will appear on the public record.



## Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ  
DX 33050 Cardiff.



## Further information

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

# **MGR Realisations Limited (in administration)** **(previously Matalan Group Limited) (“the Company”)**

## **JOINT ADMINISTRATORS’ STATEMENT OF PROPOSALS PURSUANT TO PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986 (AS AMENDED) (“the Act”).**

Daniel Francis Butters and Matthew Mawhinney (“the Joint Administrators”) were appointed Joint Administrators of MGR Realisations Limited on 26 January 2023 by the directors of the Company. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and contract without personal liability. All licensed Insolvency Practitioners of Teneo Financial Advisory Limited (“Teneo”) are licensed in the UK to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales.

For the purposes of paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 (as amended), (“the Act”), the Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

As stated in the administration appointment documents, these are COMI proceedings (i.e. the centre of main interests is in the UK).



The Global CEO Advisory Firm

Teneo Financial Advisory Limited  
156 Great Charles Street  
Queensway  
Birmingham  
B3 3HN  
UK  
Tel: +44 (0)  
[www.teneo.com/service/restructuring](http://www.teneo.com/service/restructuring)

This Statement of Joint Administrators' Proposals ("the Proposals" or "our Proposals") has been prepared pursuant to paragraph 49 of Schedule B1 of the Act, which requires that we, as the Joint Administrators, provide creditors with details of our Proposals to achieve the purpose of the administration.

We do not think that the Company has sufficient property to enable a distribution to be made to unsecured creditors. As such we are not required to ask creditors to approve our Proposals unless requested to do so by creditors whose total debts amount to at least 10% of the total debts of the Company. If you would like to ask us to hold a decision procedure to consider our Proposals please complete a Form for Requisitioned Decisions which is available for download from the website set up for the administration at [www.ips-docs.com](http://www.ips-docs.com) and return it to us by post or email no later than 10 February 2023.

Please note that a deposit of £1,000 will be required towards the costs of initiating the decision procedure; such deposit may be refunded as an expense of these proceedings under Rule 15.19(4) Insolvency (England & Wales) Rules 2016 ("the Rules"), if so decided by creditors. In the event that a request for a decision procedure is not received by us within the above deadline, our Proposals will be deemed approved on 10 February 2023 and a notice to that effect will be filed at Companies House.

Please refer to the Frequently Asked Questions section on the case website for more information about decision procedures in insolvency proceedings.

Please also note that hard copies of any of these documents will be provided free of charge on request.








We have also included the following information in this report:

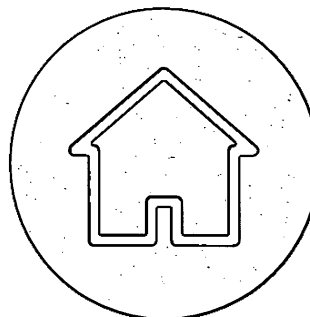
- background of the Company;
- the circumstances giving rise to the appointment of the Joint Administrators;
- the progress of the administration to date; and,
- the Joint Administrators' Proposals for achieving the objective of the administration (Appendix D).

Yours faithfully

For and on behalf of the Company

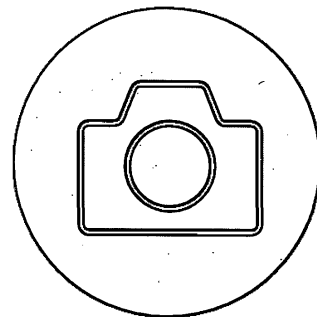
The Joint Administrators

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## Key messages



## Key messages

### Joint Administrators of the Company

Daniel Francis Butters

Matthew Mawhinney

Teneo Financial Advisory Limited,

156 Great Charles Street,

Queensway,

Birmingham, B3 3HN

### Contact details

Email: [parth.patel@teneo.com](mailto:parth.patel@teneo.com)

[www.ips-docs.com](http://www.ips-docs.com)

Tel: +44 121 619 0120



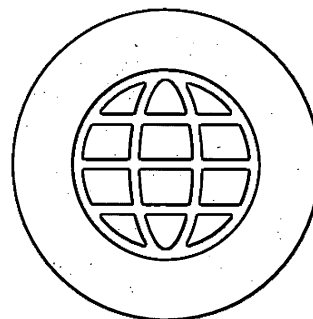
	Commentary
<b>Purpose of the administration</b>	<ul style="list-style-type: none"><li>The purpose of the administration is to achieve a better result for the Company's creditors as a whole than a liquidation.</li><li>This purpose of the administration has been achieved through the pre packaged sale of the Company's entire shareholding in Matalan Finance plc ("PLC") to Maryland Bidco Limited ("the Purchaser") ("the Transaction") as part of a wider restructuring.</li></ul>
<b>Pre-pack ("the Transaction")</b>	<ul style="list-style-type: none"><li>The Transaction took place on 26 January 2023 as detailed in our SIP 16 Statement dated 26 January 2023, a copy of which is attached to our proposals at Appendix E.</li></ul>
<b>Joint Administrators' strategy</b>	<ul style="list-style-type: none"><li>The Company has no assets following the Transaction.</li><li>As such, we are now working to complete our statutory and regulatory duties and obligations as Joint Administrators.</li></ul>
<b>Approval of the Proposals</b>	<ul style="list-style-type: none"><li>As there is no prospect of any funds being returned to unsecured creditors, our Proposals will be deemed approved by creditors on 10 February 2023 unless a decision procedure is requested under Rule 15.18. Please refer to page 1 for further details.</li></ul>
<b>Estimated Timescale</b>	<ul style="list-style-type: none"><li>On current information the duration of the administration is not likely to exceed 12 months.</li><li>It is anticipated that the Company will move to dissolution as detailed at page 18.</li></ul>
<b>Estimated Costs</b>	<ul style="list-style-type: none"><li>We propose to seek approval to charge our fees by reference to our time costs.</li><li>We have provided a fees estimate showing a breakdown of our anticipated time costs and actual costs to date at Appendix C.</li><li>We anticipate that third party expenses in relation to legal and other professional fees will not exceed c.£65k over the duration of the appointment as detailed on page 21.</li></ul>
<b>Estimated Outcomes</b>	<ul style="list-style-type: none"><li>On current information, we anticipate the following outcome for each category of creditor:<ul style="list-style-type: none"><li>Secured creditors – The secured creditors liabilities will be repaid or equitized in full as part of the Transaction and we are not aware of any remaining secured creditor liabilities.</li><li>Preferential creditors – The Company has no preferential creditors as the Company had no employees.</li><li>Secondary Preferential creditor – The Company is in a VAT Group with Matalan Retail Limited ("MRL"). MRL continues to trade as a result of the Transaction and it is anticipated VAT liabilities due to HM Revenue &amp; Customs ("HMRC") will be paid in the ordinary course of business.</li><li>Unsecured creditors – it is unlikely that there will be a distribution for the sole unsecured creditor of the Company (which is an intercompany creditor).</li></ul></li></ul>
<b>Proposals</b>	<ul style="list-style-type: none"><li>Our Proposals for managing the business and affairs of the Company can be found on page 16.</li></ul>





## Background

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## Background

### The Company/Group

#### MGR Realisations Limited Overview

- MGR Realisations Limited ("the Company") was previously named Matalan Group Limited before a change of name on 19-Jan-23.
- The Company did not trade and had no employees. The principal activity of the Company was a holding company to the Matalan Group ("the Group" and "Matalan").
- The Company owned 100% of the share capital in Matalan Finance plc ("PLC"), which was the main borrower of the debt facilities, and which are described further on page 8).
- As such, the Company's balance sheet comprised intercompany balances (both receivables and payables) and shares in Matalan Finance Plc ("PLC").
- The Company was owned ultimately by the Hargreaves family private office ("the Shareholder").
- As at the date of the Joint Administrators' appointment, the directors of the Company were Paul David Copley, Stephen Mark Hill, Timothy Keith Isaacs and Donald William Christopher Mallon. The directors of the Company did not hold any shares in the Company at the date of appointment or guarantee any of the Group's debt.
- The Company Secretary was William George Lodder. The Secretary of the Company did not hold any shares in the Company at the date of appointment or guarantee any of the Group's debt.

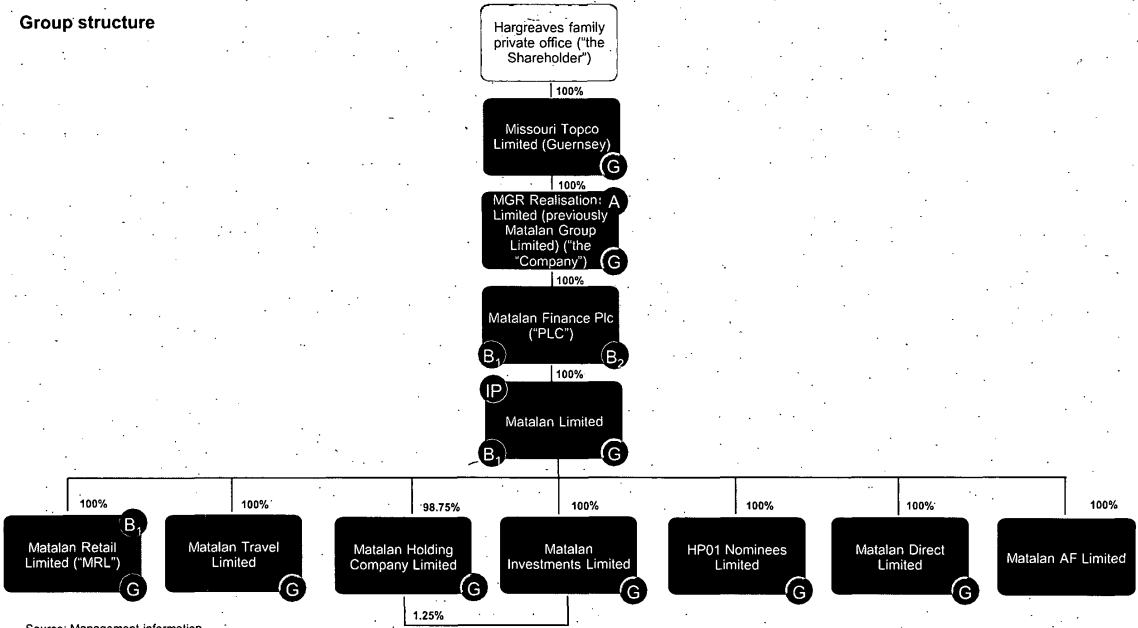
#### Group Overview

- Matalan is a British fashion and homeware retailer that operates from out-of-town retail stores, and online.
- It was established in 1985, with the first store being opened at Bamber Bridge, near Preston in the UK.
- The Group has c.230 UK stores and 53 International franchise stores across Europe, the Middle East and Africa. Approximately 78% of sales are in-store, 19% online and 3% international (franchise fees).
- In the Middle East, the Matalan brand is franchised to BTC, which is based in Qatar.
- The Group has c.11,500 employees that are primarily in selling and distribution roles across its retail network.
- MRL is the main trading entity within the Group and holds the majority of the Group's assets and liabilities, excluding the Group IP (which is owned by Matalan Limited).
- Please refer to the Group structure on page 7.



Background  
The Company/Group

Group structure



Source: Management information

Key

- Non-trading Group entities
- Main trading entity
- Holdco structure
- Shareholder
- Administration appointment
- IP Holder of Matalan IP
- G Guarantor of Super Senior ABL facility, 1L and 2L
- B1 Borrower of Super-Senior ABL facility
- B2 Borrower of 1L, 2L and 3L facilities

Note 1 – this is a summarised group structure chart at the date of our appointment.

## Background

### The Company/Group

#### Debt and security structure

- As at the date of the Transaction, the Group had total secured debt of c.£527.2m (£490.0m of principal debt and £37.2m of PIK interest) and unsecured debt totalling £66.0m (£50.0m of principal debt and £16.0m of PIK interest) as follows:

Facility	Limit (£'m)	(Drawn (£'m))	Interest rate	Maturity Date
Super Senior Lender	60.0	60.0	SONIA + 6.95%	Jul-23
1L	350.0	350.0	6.8%	Jul-23 <sup>1</sup>
1L PIK		11.6	6.8%	Jul-23 <sup>1</sup>
2L	80.0	80.0	9.5%	Jan-24
2L PIK		25.6	9.5%	Jan-24
<b>Total secured debt</b>	<b>490.0</b>	<b>527.2</b>		
3L	50.0	50.0	9.5%	Jul-24
3L PIK		16.0	9.5%	Jul-24
<b>Total debt</b>	<b>540.0</b>	<b>593.2</b>		

Source: Management information

(1) On 25-Oct-22, the Group received consent (90%) from the holders of its 1L secured debt to extend the 1L maturity by six months to 31-Jul-23 to support the M&A process.

- Prior to completion of the Transaction, that secured and unsecured debt sat within PLC, as follows:
  - Super Senior ABL Facility;
  - 1L;
  - 2L;
  - 3<sup>rd</sup> Lien ("3L");
  - Unsecured creditors; and
  - Shareholder creditors and Intra Group debts
- Matalan Limited and MRL were also borrowers of the Super Senior ABL facility from the Super Senior Lender and the remaining Group entities, including the Company, were all guarantors of each of the Super Senior ABL facility, 1L and 2L.

#### Debt and security structure (continued)

- The Company, together with the other Group entities, granted fixed and floating charge security to GLAS Trust Corporation Limited as Security Agent (previously Lloyds Bank Plc) in the form of a debenture dated 25 January 2018 (as supplemented from time to time, including pursuant to the first supplemental debenture dated 8 June 2020 and the second supplemental debenture dated 25 July 2022).
- Immediately prior to the Transaction, the Super Senior ABL facility was repaid using a loan of £61.2m provided by the Purchaser to PLC, (the "PLC-Purchaser Loan"). The PLC-Purchaser Loan was guaranteed and secured by the Company at the time of the Transaction, however, this loan was repaid shortly thereafter (one business day after the Transaction) by a new intercompany loan between the Purchaser and PLC, thereby extinguishing the Company's guarantee liability.



## Background Summary financials

### Company balance sheet – FY20 to FY23 YTD

Please note that this information has not been verified by the Joint Administrators or by Teneo.

£'m	FY20	FY21	FY22
<b>Assets</b>			
Investments	437.4	437.4	437.4
Receivables	-	55.1	55.1
<b>Total non-current assets</b>	<b>437.4</b>	<b>492.5</b>	<b>492.5</b>
Receivables	55.1	-	-
<b>Total current assets</b>	<b>55.1</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>492.5</b>	<b>492.5</b>	<b>492.5</b>
<b>Liabilities</b>			
Payables	(106.3)	(106.3)	(106.3)
<b>Total current liabilities</b>	<b>(106.3)</b>	<b>(106.3)</b>	<b>(106.3)</b>
<b>Total liabilities</b>	<b>(106.3)</b>	<b>(106.3)</b>	<b>(106.3)</b>
<b>Net assets</b>	<b>386.2</b>	<b>386.2</b>	<b>386.2</b>
<b>Shareholders' equity</b>			
Share capital	21.9	21.9	21.9
Share premium	355.2	355.2	355.2
Warrant reserve	3.1	3.1	3.1
Retained earnings	6.0	6.0	6.0
<b>Total shareholders' equity</b>	<b>386.2</b>	<b>386.2</b>	<b>386.2</b>

Source: Management information

### Historical Company performance overview

- The Company was a holding company whose assets solely consisted of intercompany balances (both receivables and payables) and shares in PLC.
- The Company did not trade and had no employees. The directors did not receive any remuneration for their services to the Company.
- The receivables balance related to amounts owed by PLC and the payables balance related to amounts owed to MRL.
- Shortly prior to the appointment of the Joint Administrators, a series of loan rationalisation steps were entered into between PLC, the Company and MRL meaning that at the date of appointment, the Company owed c.£51.2m to MRL.



## Background Summary financials

### Summarised Group P&L – FY20 to FY23 Q3

Please note that this information has not been verified by the Joint Administrators or by Teneo.

	FY20	FY21	FY22	FY23 Q3 (P1 to P9)
Revenue	1,129.4	744.1	1,027.1	885.7
Cost of sales	(1,000.6)	(713.6)	(877.4)	(806.1)
Gross margin	128.8	30.5	149.7	79.6
Administrative expenses	(59.5)	(69.8)	(60.0)	(46.4)
Depreciation & amortisation	112.1	108.1	105.6	80.8
Exceptionals	1.6	11.7	2.5	0.1
EBITDA post-IFRS 16	183.0	80.5	197.8	114.1
Restated EBITDA under IAS17	80.3	(21.5)	100.3	42.1

Source: Management information

Note 1 – Group year ends were as follows; 29/02/2020; 27/02/2021; 26/02/2022. FY20 was a 53 week period whereas FY21 and FY22 were 52 week periods.

### Historical Group performance overview

**FY20** - FY20 was the last financial year of "normal" trading for the Group pre-COVID-19. The Group delivered more than c.£1.1bn of sales and c.£80m of EBITDA.

- FY21** – The Group faced unprecedented challenges in FY21 as a result of COVID-19, with store closures being the primary driver behind the decline in revenue to £744.1m. Trading was further impacted by the need to apply additional discounting to offload seasonal stock. This was partially offset by the UK government's COVID-19 support packages, resulting in an EBITDA loss of £21.5m for the period
- FY22** – The impact of COVID-19 on trading continued in the first two months of FY22, with further UK store closures in Mar-21 and Apr-21 and worldwide supply chain disruption. Despite the disruption, the Group delivered sales and EBITDA of c.£1.0bn and c.£100m respectively in FY22.

### Current Group trading overview (FY23 Q3)

- The Group has delivered sales of £885.7m in the nine month period to 26-Nov-22 ("FY23 Q3"), resulting in EBITDA of £42.1m.
- Revenue has been impacted by decreased demand amongst the Group's customers and increased levels of markdowns. This has been partially offset throughout the period by underlying price increases (7.2% in H1-23 and 12.9% anticipated in H2-23).
- Weakened consumer demand in Sep-22 and Oct-22 has been largely driven by the current macro environment and cost of living pressures, as well as an unseasonably warm start to the A/W season.
- Cost of sales in the period have been impacted by currency movements (USD strengthening against GBP), higher freight costs (contracted rate increases and fuel surcharges) and increased stock shrinkage / write offs (higher levels of thefts in Sep-22 and Oct-22).
- Administrative costs in the period have been impacted by an increase in property costs (arising from higher utility, insurance and service charges), increased advertising spend in Sep-22 and Oct-22 (which is in line with increased markdowns in this period) and increased warehousing and distribution costs (due to incurring additional third party storage costs as a result of port industrial action in Sep-22 and Nov-22).



## Background

### Joint Administrators' appointment

#### Circumstances giving rise to the appointment of the Joint Administrators

#### Reasons for failure & financial distress and Steps taken to remedy/turnaround

- Since Jan-22, the Group (including the Company as guarantor) had been considering its options to refinance the 1L and 2L debt ahead of maturity in Jan-23 and Jan-24 respectively.
- On 13-Jun-22, the 1L formed an AHG of three lenders (representing 53.7% of the 1L by value) and undertook negotiations with the Shareholder in respect of a number of structured solutions to secure a refinancing.
- The Group and its advisors worked constructively with the 1L AHG and its advisors to agree a framework ("the Framework Agreement") for recapitalisation of the Group which was signed on 23-Sept-22 and involved:
  1. 1L AHG support for a consent solicitation, or scheme of arrangement if needed, to extend the 1L maturity by six months;
  2. Launch of an M&A process ("the M&A process") with the 1L AHG offering staple financing of £200m to bidders; and
  3. A lender-led transaction structure as a fallback to the M&A Process ("the Fallback Transaction").
- As such, the M&A Process was launched on 26-Sept-22. 1L support for a consent solicitation to extend maturity of the 1L to 31-Jul-23 was received on 25-Oct-22.
- On or around 07-Dec-22, a fourth lender joined the 1L AHG, following which the 1L AHG represented over 70% of the 1L by value.

#### When decision to appoint was made

- Following the Phase One bid deadline (21-Oct-22), four indicative offers were received.
- Phase Two was launched on 31-Oct-22, with the Phase Two final offer deadline occurring on 15-Dec-22.
- Two offers were received on 15-Dec-22 that showed value breaking in the 1L notes. Feedback was received from the 1L AHG confirming that the offers received were not at an acceptable level for the 1L AHG, based on a combination of structure and value.
- Given that neither a new buyer at a better price nor refinance was likely achievable within the timeframe, the decision was taken by the directors of the Company to conclude the M&A Process and to pursue the Fallback Transaction led by the 1L AHG. A revised framework agreement ("the Revised Framework Agreement") was subsequently entered into on 22-Dec-22.
- Full details of the pre-pack sale (including the M&A Process) are set out in our SIP 16 Statement, a copy of which is available to view on the case website [www.ips-docs.com](http://www.ips-docs.com). A copy is also attached to our proposals at Appendix E.



## Background Joint Administrators' appointment

### Circumstances giving rise to the appointment of the Joint Administrators (continued)

#### Involvement of Teneo Pre appointment - Initial introduction

Teneo (previously Deloitte UK Restructuring Services) was introduced to the Company via an existing corporate relationship with the Group's CFO, Stephen Hill.

Prior to the Administration appointment, Teneo had the following involvement with the Group:

- In December 2019, Deloitte LLP ("Deloitte") was engaged by MRL and Missouri Topco Limited to perform a review of a portfolio of c.50 shopping centre tenants on behalf of Spelthorne Borough Council, based on publicly available information (i.e. financial statements published at Companies House).
- From 22 March 2020 to 30 June 2020, Deloitte was engaged by PLC, Matalan Limited, MRL, Missouri Topco Limited and the Shareholder as company-side advisor for the Group, providing financial and debt advisory services.
- From 26-Mar-2021 to 30-Sep-2021, Deloitte was engaged by PLC, MRL, Missouri Topco Limited and the Shareholder to provide debt advisory services.
- Following the sale of the Deloitte UK Restructuring Services business to Teneo in Jun-21, Teneo was engaged from 13-Oct-21 by the Company, PLC, Matalan Limited and MRL to provide restructuring advice in advance of the Group's bond refinancing.
- From 28-Jun-22, Teneo's engagement with the Company was expanded to include accelerated M&A services, on the basis that this could be needed to deliver a recapitalisation of the Group.
- From 23-Sept-22, Teneo's engagement with the Company was further expanded to provide contingency planning advice in the event of an insolvency of the Group.
- From 03-Oct-22, Teneo Securities LLC was engaged by the Company as part of the M&A Process to provide broker services with respect to any potential investors that are a United States person or are owned by a United States person ("US parties"). As per regulation, in order to market shares in the United States, a registered "broker-dealer" is required and Teneo Securities LLC provided these services in order for Teneo to market to the US parties.

- On 13 December 2022, Teneo was engaged by the Company to provide tax advice relating to the Fallback Transaction.

Prior to the matters identified above we had had no prior involvement with the Group or its directors.

#### Functions and Responsibilities

Our role prior to the administration appointment was primarily to act as advisor to the Group (but not the directors in their capacity as directors of the Company or its subsidiaries).

Our engagement letter dated 23-Sept-22 stated that Teneo would not provide advice to the directors and/or the officers of the Group in respect of their legal or statutory duties and responsibilities.

From the outset of our involvement, the Company, wider group (the Group) and the Board have been advised by their own legal counsel, Clifford Chance LLP, in respect of their duties and responsibilities. Clifford Chance LLP have joined regular Board meetings. Prior to the appointment of the Joint Administrators, the Board was responsible for all Company decisions.

Following our appointment as Joint Administrators, we have a statutory obligation to perform our functions in the interests of the Company's creditors as a whole.

#### Pre-packaged sale

The Company's entire shareholding in Matalan Finance PLC ("PLC") was sold to Maryland Bidco Limited ("the Purchaser") ("the Transaction") shortly after appointment of the Joint Administrators.

The consideration for the Transaction comprised £1.

It is intended that, following completion of the Transaction, the Purchaser will appoint common directors with those of the Company and is therefore a connected party. As such, a qualifying report from an independent evaluator has been obtained, as detailed in Appendix D. The qualifying report supports the conclusion that the value of the Group breaks in the 1L debt and the value of PLC's shares is nil, thereby supporting the £1 consideration for the Transaction.

Full details of the pre-pack sale are set out in our SIP 16 Statement, a copy of which is available to view on the case website [www.ips-docs.com](http://www.ips-docs.com) and in Appendix D.

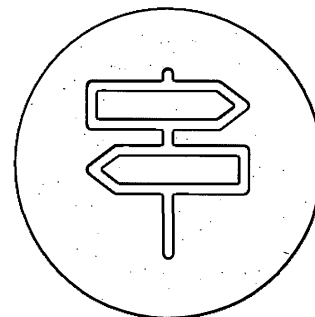






## Post-appointment

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## Post-appointment Purpose

### Appointment of the Joint Administrators

Matthew Mawhinney and Daniel Butters, of Teneo Financial Advisory Limited ("Teneo") were appointed Joint Administrators of the Company by the directors of the Company on 26 January 2023, following the filing of a Notice of Appointment of Joint Administrators by the Company's directors.

### Purpose of the administration

The purpose of an administration is split into three parts:

1. To rescue a company as a going concern (in other words, a restructuring which keeps the actual entity intact); and
2. if the first purpose is not reasonably practicable (or the second purpose would clearly be better for the creditors as a whole), then the Administrators must perform their functions with the objective of achieving a better result for creditors as a whole than would be obtained through an immediate liquidation of the company. This would normally envisage a sale of the business and assets as a going concern (or a more orderly sales process than in liquidation).
3. If neither of the first two parts of the purpose are reasonably practicable, the Administrators must perform their functions with the objective of realising property in order to make a distribution to secured and/or preferential creditors as applicable.

Prior to the appointment of the Joint Administrators, the Company had significant unsecured creditor liabilities and had guaranteed and secured significant creditor liabilities of certain of its direct and indirect subsidiaries ("the Group"). The Company, together with its legal and financial advisers, and in consultation with key stakeholders, had explored a range of options for a refinancing or restructuring of the Group. However, ultimately this was not achievable.

The Company also undertook a thorough M&A process, which did not result in any solvent bids for the Group. As such, the Joint Administrators concluded that the first option was not possible to achieve.

Accordingly, the purpose of the administration is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Company. This purpose of the administration has been achieved through the Joint Administrators effecting the Transaction, as part of the wider restructuring, as set out on page 15.



## Post-appointment Joint Administrators' strategy

### How the affairs and business of the Company have been managed and financed since appointment, and the Joint Administrators' intended strategy if their Proposals are approved

#### Sale of business – Pre-packaged sale

- As detailed in our letter of 26 January 2023, the Company's entire shareholding in PLC was sold to Maryland Bidco Limited ("the Purchaser") on 26 January 2023 ("the Transaction").

#### Purchaser and Related Parties

- The Purchaser is Maryland Bidco Limited.
- We are aware that the Purchaser intends following completion of the Transaction to appoint common directors with those of the Company and is therefore a connected party.
- The directors or secretary of the Company who may become directors or secretary of the Purchaser are as follows: Paul David Copley, Stephen Mark Hill, Nigel Graham Oddy, Donald William Christopher Mallon and William George Lodder.
- As such, a qualifying report from an independent evaluator has been obtained by the Purchaser as set out in Appendix D.

#### Relevant Property

- Shortly following the appointment of the Joint Administrators, the Company's entire shareholding in PLC was sold to the Purchaser.
- The Company has no assets not included in the sale. The Company's £55.1m intercompany receivable was rationalised prior to the Transaction as part of a series of loan rationalisation steps between PLC, the Company and MRL.
- Following the Transaction, there are no further assets of the Company to realise.

#### Sale Consideration

- The total consideration for the Transaction was £1.
- Consideration payable to the Joint Administrators of £1 was acknowledged under the Transaction documentation on completion. Therefore, none of the purchase price is at risk.
- Consideration will be allocated to the Company's shareholding in PLC, which is subject to fixed charge.

### Wider restructuring of which the Transaction forms part

As a result of the wider restructuring implemented around the same time as the Transaction:

- The Purchaser has repaid the Super Senior ABL facility on behalf of PLC, which created a new debt liability owing from PLC to the Purchaser ("the PLC-Purchaser Loan"). The PLC-Purchaser Loan was guaranteed and secured by the Company at the time of the Transaction, albeit the primary obligation was repaid shortly thereafter (one business day following the Transaction) by a new intercompany loan between the Purchaser and PLC. The liability under the PLC-Purchaser Loan that was guaranteed by the Company at the time of the Transaction has thereby been extinguished;
- New funding has been secured to support the working capital requirements of the business of the Group under the new ownership of the Purchaser, with a view to enabling the business to continue on a more stable footing for the future; and
- The 1L and 2L debt (which was guaranteed by the Company) has been transferred to the Purchaser. On or before 60 days, following the Transaction the Purchaser plans to equitise the 1L and 2L debt (i.e. release in consideration for the issue of shares), thereby extinguishing the liabilities that are guaranteed by the Company.

The remaining creditors to the Company are in respect of VAT liabilities due to HMRC and an intercompany payable due to MRL of £51.2m.

We note that the Company was in the same VAT Group with MRL until shortly prior to the appointment of the Joint Administrators and, as MRL continues to trade as a result of the Transaction, it is anticipated it will meet outstanding VAT liabilities due to HMRC.

As the Company has no assets following the Transaction, the Joint Administrators will fulfil their statutory and regulatory duties with respect to the Company.



## Post-appointment Joint Administrators' Proposals.

### The Joint Administrators' Proposals

Our Proposals for the administration include:

- continuing to manage the affairs of the Company and the settlement of all administration expenses; and
- assessing the affairs of the Company and reviewing and reporting on the conduct of its directors and, where required, providing assistance to any regulatory authorities with any investigation into the affairs of the Company or its management; and
- agreement of the claims of any secured, preferential and unsecured creditors against the Company unless we conclude, in our reasonable opinion, that the Company will have no assets available for distribution; and
- distributing funds to any secured and preferential creditors and, where applicable, to unsecured creditors under the Prescribed Part as and when their claims are agreed and funds permit, and to make distributions to unsecured creditors, other than out of the Prescribed Part if the court gives permission following an appropriate application; and
- that, following the realisation of assets and resolution of all matters in the administration; and as quickly and efficiently as is reasonably practicable, we will implement the most appropriate exit route to formally conclude the administration; and
- that, if the Company is to be placed into Creditors' Voluntary Liquidation ("CVL"), we (or any person appointed as a replacement office holder) propose to be appointed Joint Liquidators and for the purposes of section 231 of the Act the Joint Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

We will seek specific approval from the appropriate body of creditors to fix the basis of and the ability to draw our remuneration and expenses, including pre administration costs and expenses, and to agree the time of our discharge on conclusion of the administration.

Please refer to Appendix C for further details.



## Post-appointment Outcome for creditors

### Estimated outcome for creditors

#### Secured creditors

As noted previously, as a result of the wider restructuring implemented around the same time as the Transaction, the secured liabilities under the PLC-Purchaser Loan and the 1L and 2L debt (all of which were guaranteed by the Company) have been or will be shortly extinguished.

Once the implementation of the wider restructuring has been completed, the Company will not have any remaining secured creditor liabilities.

The 1L, 2L and the Purchaser have confirmed that, at the date of our appointment, the following amounts were owed to them:

- 1L: £361.6m (consisting of £350.0m of principal debt and £11.6m of PIK);
- 2L: £105.6m (consisting of £80.0m of principal debt and £25.6m of PIK); and
- PLC - Purchaser Loan: £61.2m.

These amounts are secured by way of fixed and floating charges granted by the Company on 25 January 2018 under the ICA.

#### Preferential creditors

Preferential claims consist of amounts owed to employees for arrears of wages/salaries, holiday pay, and pension contributions.

As there were no employees, we do not anticipate any preferential claims will be made.

#### Secondary Preferential Debts due to HM Revenue and Customs ("HMRC")

Secondary preferential debts are debts due to HMRC in respect of deducted taxes, including VAT, PAYE, student loan repayments, employee NICs and CIS deductions.

VAT liabilities due to HMRC will be paid in the ordinary course of business as a result of the Transaction as the Company is in a VAT Group with MRL.

MRL continues to trade as a result of the Transaction and therefore it is anticipated it will meet outstanding VAT liabilities.

#### Unsecured creditors

The directors' statement of affairs shows intercompany unsecured creditors with estimated non-preferential claims totalling £51.2m.

As the Company has no remaining assets, there is no prospect of distribution for unsecured creditors.

#### Prescribed Part

The Prescribed Part is an amount set aside for unsecured creditors from asset realisations that would otherwise be paid to secured creditors under their floating charge, (referred to as the net property), as set out under section 176A of the Act. It applies only where the charge was created on or after 15 September 2003.

The Prescribed Part is calculated as a % of the net property and is subject to a statutory maximum of £600,000 where the floating charge pre-dates 6 April 2020.

Where the value of the Prescribed Part is so small as to make the costs of distributing it disproportionate, the court may, on our application, disapply it.

As there are no floating charge assets available the value of the Company's net property is £nil and accordingly there will not be any Prescribed Part distribution.

#### Claims process

As there is no prospect of a distribution for unsecured creditors, we do not intend to undertake any work to agree any creditor claims received. This work will only be performed in the unlikely event that funds become available for distribution.



## Post-appointment Extensions & exit routes

### Exit routes

In accordance with the provisions of the Act, all administrations automatically come to an end after one year, unless an extension is granted by the court or with consent of the creditors.

There are several possible exit routes from administration. Based on current information, we consider the following exit routes may be appropriate:

- *Dissolution* – If there is no further property which might permit a distribution to the Company's creditors, we may file notice to that effect with the Registrar of Companies and the Company will be dissolved three months later.
- *Compulsory Liquidation ("WUC")* – where there is a possibility, but no certainty, of recoveries being made or matters such as property to disclaim or further enquiry, it may be appropriate to ask the court to end the administration and to make an order to wind up the Company.
- *Creditors' Voluntary Liquidation ("CVL")* - Where a distribution to unsecured creditors will be made, other than by virtue of the Prescribed Part, we may file a notice to that effect with the Registrar of Companies. The administration will cease on the date that notice is registered and the Company will be wound up.

Please note that if the Company is placed into CVL, the Joint Administrators (or any person appointed as a replacement office holder) propose to be appointed as Joint Liquidators. The creditors may nominate a different person to be liquidator(s) provided the nomination is made before the Proposals are deemed approved by creditors i.e by 10 February 2023.

Any creditors' committee appointed in the administration will become a liquidation committee and the basis of the Joint Administrators' remuneration fixed during the administration will apply in the liquidation.

For the purposes of section 231 of the Act the liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

### Discharge of Joint Administrators' liability

Pursuant to paragraph 98 of Schedule B1 of the Act, the Joint Administrators' discharge of liability in respect of their actions as administrators takes effect at the specific time appointed by either the court, the creditors (either via the creditors' committee or by decision of the creditors) or, in specific circumstances, by the secured (and preferential) creditors.

In this case, we will request approval from the secured creditors for us to be discharged from liability as at the date the Registrar of Companies registers the Joint Administrators' final progress report.





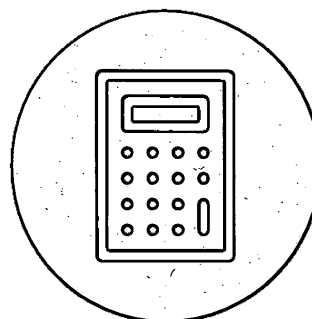
## Remuneration and expenses

**Creditors' Guide to Administrators' Remuneration**

**20**

**Pre-administration costs**

**21**



## Remuneration and expenses

### Creditors' Guide to Administrators' Remuneration

A Creditors' Guide to Administrators' Remuneration" is appended to SIP 9 and is provided on the administration website and also available for download [www.ips-docs.com](http://www.ips-docs.com).

Should you require a paper copy, please send your request in writing to the Joint Administrators at the address on page 4 and this will be provided to you at no cost.



#### Basis of Administrators' remuneration

Pursuant to Rule 18.16 of the Insolvency Rules 2016 ("the Rules"), the basis of the Joint Administrators' remuneration may be fixed:

- as a percentage of the value of the property with which the Joint Administrators have to deal;
- by reference to time properly given by the insolvency practitioners and their staff in attending to matters arising in the administration;
- as a set amount;
- or, any combination of the above.

There will be no funds available to the unsecured creditors. Therefore, in accordance with Rule 18.18(4) of the Rules and in the absence of a creditors' committee, we will seek to fix the basis of our remuneration by reference to our time costs incurred in attending to matters arising in the administration with the consent of each secured creditor, acting by the Security Trustee.



## Remuneration and expenses

### Creditors' Guide to Administrators' Remuneration and Expenses

#### Joint Administrators' Remuneration

##### Fees Estimate

A Fees Estimate is provided at Appendix C in which we have provided you with as accurate an estimate as we can of our likely time costs for the duration of the appointment. We have based this estimate on experience in other similar matters and the cost of work done to date and estimate that our time costs will be c.£350k.

##### Joint Administrators' – Expenses

Expenses are payments from the estate which are neither remuneration payable to us as officeholders nor a distribution to a creditor or a member. Expenses includes disbursements; disbursements are payments first made by us out of our own funds and later reimbursed to us (to the extent possible) out of estate funds.

Expenses are divided into those that do not need approval before they are charged to (and recovered from) the estate ("Category 1") and those that do ("Category 2") and as described below:

- Category 1 Expenses - are payments to persons providing the service to which the expense relates and who are not an associate of the officeholder. These expenses can be paid out of the estate by us without creditor approval.
- Category 2 Expenses - are payments to us (as officeholder) or our associates or payments which have an element of shared costs. These expenses require creditor approval in the same manner as our remuneration. No category 2 expenses have been incurred nor are any anticipated to be incurred in the future.

#### Category 1 Expenses - Other professional costs

Prior to instructing providers of specialist advice and or services, we have evaluated whether the work/advice is both warranted and also that the cost of same represents best value for the estate. We review all such arrangements periodically to ensure that best value continues to be obtained. Further details are provided below.

We have instructed Ashurst LLP, a firm of lawyers with the appropriate expertise and experience in dealing with these types of administrations, to advise on the following legal matters:

- Validity of Appointment review;
  - Provide ongoing advice in relation to matters arising out of the sale agreement;
  - Act and advise in relation to general administration matters;
- They have estimated that their fees will not exceed £65k (inclusive of VAT and disbursements).

Whilst we are not required to seek creditor approval for any of the foregoing expenses, we confirm that all professional costs are reviewed by us and analysed in detail before payment is approved or made.

#### Payment of Joint Administrators' Remuneration and Expenses

As there are no funds in the estate, on 26-Jan-23, the Purchaser, Matalan Retail Limited and Matalan Limited entered into a Funding Agreement with us as Joint Administrators, to provide third party funding in the sum of £500k as a contribution to the costs and expenses of the administration, including our remuneration as Joint Administrators.

Pursuant to the Funding Agreement we will seek formal approval to fix the basis of our remuneration.



## Remuneration and expenses

### Pre-administration costs

#### Statement of pre-administration costs

In the following paragraphs we have provided an explanation of the work carried out by us and Ashurst LLP in the period prior to the administration and which was carried out with the intention of helping to achieve the objective of the administration, i.e., being a better result to creditors as a whole than would be obtained through the immediate liquidation of the Company.

The payment of any unpaid pre administration costs as an expense of the administration is subject to approval under rule 3.52, i.e. not as part of the proposals subject to approval under paragraph 53. However, as set out below, all pre administration costs and expenses were paid in full by the Company prior to our appointment and thus no approval is required.

#### Joint Administrators

Explanation of work carried out by us prior to the administration:

- Negotiating with the Purchaser and the Purchasers' legal advisors to agree and finalise the sale agreement and other associated documents required to complete the Transaction;
- Preparation of the SIP 16 statement;
- Liaising with the Purchaser and the Purchasers' legal advisors regarding the pre-pack process, including the additional approval requirements required for a connected party transaction (for example, the need for a qualifying report from an independent evaluator);
- Liaising with Ashurst LLP in relation to the preparation and signing of appointment documents;
- Collating company data, financial information and stakeholder records in preparation for the administration appointment; and
- Analysis of advice received from a tax perspective to consider immediate tax actions required by the administrators immediately on appointment.

In relation to this work, we incurred time costs of £410.7k plus VAT which were paid in full by the Company prior to our appointment. No expenses were incurred.

#### Ashurst LLP

We were assisted by Ashurst LLP, a law firm with appropriate experience on matters including:

- Legal advice in connection to the Transaction; and
- Preparation of the sale agreement and other associated documents required to complete the Transaction.

This work was required to be carried out to enable the Transaction to be delivered via a pre-pack sale.

In respect of this work, Ashurst LLP incurred £277k plus VAT of time costs and which were paid in full by the Company prior to our appointment.





## **Additional Information**

<b>Investigations and Case specific matters</b>	<b>24</b>
<b>Connected Party Transactions</b>	<b>25</b>



## Additional information

### Case specific matters and Investigations

#### The Insolvency (Amendment) (EU Exit) Regulations 2019 (the "Regulations")

As stated in the administration appointment documents, these are COMI proceedings (i.e. the centre of main interests is in the UK).

#### Third party assets

Should you believe that you own or have a claim regarding items that may have been present at the Company's premises at the date of our appointment please contact us as soon as possible.

#### Shareholders

We are not obliged to provide further information or reports to shareholders of the Company. However regular updates will be uploaded to the website set up for the administration at: [www.ips-docs.com](http://www.ips-docs.com).

Due to the insolvency of the Company and anticipated level of asset realisations compared with the level of creditor liabilities owed by the Company, there is no prospect of a return being made to the shareholders.

Following our appointment, the Company is no longer able to process transfers of shares, nor re-issue unclaimed dividend cheques.

In certain cases, HM Revenue & Customs may declare shares to be of nil value and capital losses may be claimed. Shareholders should contact their local tax office for further information.

#### Investigations

As part of our duties, we are obliged shortly after our appointment to review all of the information available to us and conduct an initial assessment of whether there are any matters that might lead to a recovery for the benefit of creditors. This initial assessment includes enquiries into any potential claims that may be brought against parties either connected to or who have had past dealings with the Company.

In addition, we are required to consider the conduct of the directors and any person we consider to have acted as a shadow or de facto director in relation to their management of the affairs of the Company and the causes of failure and we will submit a confidential report to the Insolvency Service, a division of the Department for Business, Energy and Industrial Strategy. Creditors who wish to draw any matters to our attention should contact us using the contact details given on page 4 as soon as possible.



## Additional information

### Connected Person Transactions

#### Transactions with connected persons

As documented in our SIP 16 Statement, the Company's shareholding in PLC was sold to Maryland Bidco Limited ("the Purchaser") by way of the pre-packaged sale.

It is intended that, following completion of the Transaction, the Purchaser will appoint common directors with those of the Company and is therefore a connected party.

As such, a qualifying report from an independent evaluator has been obtained by the Purchaser (see Appendix D).

The qualifying report supports the conclusion that the value of the Group breaks in the 1L debt and the value of PLC's shares is nil, thereby supporting the £1 consideration for the Transaction.

Overall, in executing the Transaction, the Joint Administrators are confident that they have acted with due regard for all creditors' interests.

The Joint Administrators are satisfied that the Transaction together with the wider restructuring described further below delivers the best available outcome for creditors as a whole.

The consideration of £1 paid for the Company's shares in PLC is supported through:

- The full and expansive marketing process that was undertaken, which resulted in no offers which exceed the value of the Group's total debt of £593.2m. As such, we are confident that the value of the shares in PLC does not exceed £1; and
- An independent valuation commissioned by the Security Agent from Interpath Advisory Limited ("Interpath") which placed the enterprise value of the Group as at 11-Jan-23 on a debt-free, cash-free going concern basis was between £200m and £300m (reducing to £150m to £250m after the valuation impact of the new money need), and also concluding that the value of the Group breaks in the 1L debt, and that the value of the Company's shares in PLC's shares is nil.

The Transaction is part of a wider restructuring which is being led by an ad-hoc group ("AHG") of four 1L lenders, who represent over 70% of the 1L by value, being the debt in which the value of the Group breaks, and who, (in accordance with the Intercreditor Agreement dated 25-Jan-18 (as amended and restated from time to time (the "ICA"))) are able to give instructions in relation to Enforcement Action (which was necessary in order to effect the wider restructuring).

It is noted that the offers received as part of the M&A process did not meet the 1L AHG's valuation expectations and were not acceptable to them.

The steps of the wider restructuring of the Group are as follows:

- Immediately prior to the Transaction, the Purchaser loaned money to PLC to repay the Super Senior ABL facility ("the PLC-Purchaser Loan") and which was guaranteed and secured by the Company at the time of the Transaction. The PLC-Purchaser Loan was repaid shortly thereafter (one business day following the Transaction) using a new intercompany loan between the Purchaser and PLC, thus extinguishing the liability in full; and
- The 1L and 2<sup>nd</sup> Lien ("2L") debt (which was guaranteed by the Company) has been transferred to the Purchaser. We understand that, on or before 60 days following the Transaction, the Purchaser plans to equitise the 1L and 2L debt (i.e. release in consideration for the issue of shares), thereby extinguishing the liabilities that are guaranteed by the Company.

In addition, it should be noted that the Transaction and wider restructuring results in the preservation of the ongoing business and operations of the Group as the Purchaser has secured £100m of new funding to support the working capital requirements of the Group. Therefore:

- The secondary preferential creditor claims with respect to VAT liabilities due to HMRC will be paid in the ordinary course of business as a result of the Transaction as the Company was, until shortly before the administration, in the same VAT Group with Matalan Retail Limited ("MRL"). MRL continues to trade as a result of the Transaction and is therefore expected to meet any outstanding VAT liabilities; and
- The pre-pack sale safeguards the jobs of the Group's c.11,500 employees and preserves the business' ongoing relationships with suppliers and other commercial counterparties.

We also note that:

- The Transaction was the only offer capable of implementation within the timescale available, in light of the wider Group funding requirement in the week ending 04-Feb-23; and
- The Company, together with its legal and financial advisers, and in consultation with key stakeholders, had explored a range of options for a refinancing or restructuring of the Group. However, ultimately this was not achievable.



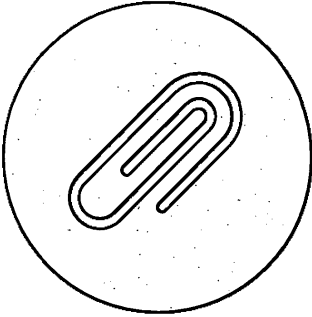


## Appendices

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3	Appendix C
4	Appendix D
6	Appendix E

## Important notice

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## Appendices

### Appendix A

#### Statutory Information

See page 6 for company information regarding company directors and secretary.

#### Website

In order to facilitate communication, all statutory reports, documents and notices will be posted on to a website which has been set up specifically for the Company. The web address is [www.ips-docs.com](http://www.ips-docs.com):

All documents will be retained on the website which will remain live until two months after the conclusion of the proceedings.

Please contact Parth Patel using any of the contact details given below if you would like to be provided, free of charge, with a hard copy of documents posted, either now or in the future, to the website.

**Phone:** +44 12 1619 0180

**Email:** [parth.patel@teneo.com](mailto:parth.patel@teneo.com)

**Postal address:** Teneo Financial Advisory Limited, 156 Great Charles Street, Queensway, Birmingham, B3 3HN

**Please note that, other than notice of intended dividend, no further notice will be given to you when documents are uploaded to the website. It is thus important that you review the website regularly to check for updates, such as notices of decision procedures or our six-monthly reports on progress.**



## Appendices

### Appendix B

#### Statement of Affairs

#### Statement of Affairs

The statement of affairs as summarised on the following pages was prepared and provided by Stephen Hill.





In accordance with  
Paragraph 47 of Schedule  
B1 of the Insolvency Act  
1986 and rule 3.30 of the  
Insolvency (England &  
Wales) Rules 2016

**Statement of Affairs**

Name of Company

MGR Realisations Limited (Formerly Matalan  
Group Limited)

Company Number

05974909

In the

HIGH COURT OF JUSTICE  
BUSINESS & PROPERTIES COURTS  
OF ENGLAND & WALES

Court number

453 of 2023

The particulars and other information shown in this statement of affairs and any continuation sheets give a full  
and complete statement of the company's affairs on  
Date

Insert date statement  
made up to (not more  
than 14 days before the  
date of the resolution for  
winding up)

Statement of Truth

I believe that the facts stated in this statement are true.

Full name

S. Hill

Signed



Dated

30/1/23

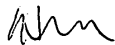
**Assets**

Signed [Signature]  
Dated 30/1/23

A1 - Summary of Liabilities -

	Estimated to realise
Total assets available for preferential creditors (carried forward from page A)	£0
Liabilities	
Preferential creditors	£0
Estimated deficiency/surplus as regards preferential creditors	£0
Secondary Preferential creditors (for all insolvencies after 1 Dec 2020. See guidance notes)	(£19,103,815)
Estimated deficiency/surplus as regards preferential/secondary preferential creditors	(£19,103,815)
Estimated prescribed part of Net Property where applicable (to carry forward)	£0
Estimated total assets available for floating charge holders	(£19,103,815)
Debts secured by floating charges	(£527,179,249)
Estimated deficiency/surplus of assets after floating charges	(£546,283,064)
Estimated prescribed part of net property where applicable (brought down)	£0
Total assets available to unsecured creditors	(£546,283,064)
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	(£51,205,130)
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	(£597,488,195)
Shortfall to floating charge holders (brought down)	(£546,283,064)
Estimated deficiency/surplus as regards creditors	(£597,488,195)
Issued and called up capital	£21,868,822
Estimated total deficiency/surplus as regards members	(£619,357,017)

Signature



Date

30/1/23

B

**COMPANY CREDITORS**

(Excluding consumer creditors and employees - See tabs B1 and B2)

Note Schedule B: Complete the table below for all creditors \*EXCEPT employees / former employees and /or consumer creditors claiming amounts paid in advance of the supply of goods or services ("consumer deposit creditors"). Please also identify in the column headed "Details of any security held by creditor" any creditors under hire-purchase, chattel leasing, conditional sale agreements or creditors claiming retention of title over property in the company's possession.

\* for any employee/former employee and/or consumer deposit creditor, details please complete Schedules B2 and/or B1 respectively and only include in this Schedule B as a single line entry showing the total number of employees /former employees and the total of the debts owed to them and/or the total number of consumer deposit creditors and the total of the debts owed to them, e.g. in table B below

Name of Creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
Employees - None employed by Matalan Group	NA	0.00			
Loan owing to Matalan Retail Limited	Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ	51,205,130.33			
GLAS Trust Company LLC	3 Second Street Suite 206 Jersey City, NJ 07311 USA	527,179,249.50	Security Agent for 1L, 2L & ABL Facility	See B1- Secured Debt	527,179,249.50
HMRC		19,103,814.86			
		0.00			
		597,488,194.69			

Signature



Date

30/11/23

**Secured Debt:**

**Matalan Finance Plc Debt (included Accrued Interest) at 26 January 2023**

ABL Term Loan

6.75% First Lien Secured Notes

6.75% First Lien Secured Note Unpaid Interest to 26 January 2023

9.5% Second Lien Secured Notes

9.5% Secured Lien Accrued PIK Notes to 26 January 2023

£

60,000,000

350,000,000

11,585,959

80,000,000

25,593,292

527,179,250

Note: MGR Realisations serves as a Guarantor to these loan notes.

**Security:**

The Debenture dated 25 January 2018 between, amongst others, Missouri Topco Limited and the Security Agent, the supplemental debenture dated 8 June 2020 between, amongst others, Missouri Topco Limited and the Security Agent and the supplemental debenture dated 25 July 2022 between, amongst others, Missouri Topco Limited and the Security Agent.

Signature



Date

30/1/23

**Unsecured Debt:**

**MGR Realisations Limited Intercompany Liability**

Intercompany Loan Owed to Matalan Retail

£

51,205,130

51,205,130

Signature: \_\_\_\_\_



Date \_\_\_\_\_

30/1/23

**Secondary Preferential Creditors:**

**Group HMRC Liabilities - Payable by Matalan Retail Limited**

January PAYE/NI as at 26 January 2023

£ 2,218,395

VAT liability as at 26 January 2023

16,885,420

**19,103,815**

Note: Included within Statement of Affairs in case of claim by HMRC on basis MGR Realisations Limited is part of the VAT group and is a parent undertaking of Matalan Retail Limited.

Signature



Date

30/1/23

**B1****COMPANY CONSUMER CREDITORS**

(customers or clients claiming amounts paid in advance of the supply of goods or services, e.g. deposits)

**Note B1:** The consumer deposit creditor schedules will be made available to other creditors (to enable creditors to collaborate should they wish ) via the password protected creditor portal but will NOT be delivered to the Registrar of Companies or otherwise put in the public domain. Please complete in full as below, with each Name /Addresses and amount owed as would be done for any other creditor.

Name of Creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
N/A - None		0.00	None	NA	NA
		0.00			
		0.00			
		0.00			
		0.00			
		0.00			
		0.00			

Signature



Date

30/11/23



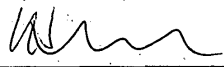
B2.

**COMPANY EMPLOYEES**  
(including former employees)

*Note B2: employee / former employee details will be made available to other creditors (to enable creditors to collaborate should they wish ) via the password protected creditor portal but will NOT be delivered to the Registrar of Companies or otherwise put in the public domain. Please complete in full as below, with each Name /Addresses and amount owed as would be done for any other creditor.*

Name of Creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
N/A - No employees of company		0.00	NA	NA	NA
		0.00			
		0.00			
		0.00			
		0.00			
		0.00			
		0.00			

Signature



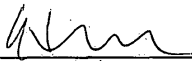
Date

30/1/23

**C**  
**SHAREHOLDERS**

No.	Name of Shareholder	Address (with postcode)	Type of shares held	Nominal amount of share (£)	Number of shares held	Amount per share called up (£)	Total called up (£)
	Missouri Topco Limited	1st Floor, Tudor House, Le Bordaige, St Peter Port, Guernsey, GY1 1DB	A Ordinary Shares	0.1	218,688,223	21,868,822	21,868,822.30
							0.00
							0.00
							0.00
							0.00
							0.00
							21,868,822.30

Signature



Date:

30/1/23

## Appendices

### Appendix C

#### Fees Estimate

For purposes of the Fees Estimate, the average rate per hour shown for each work activity is based on a blended rate calculated as a factor of the estimated time that each grade of staff will spend on that activity and their specific charge - out rate.

#### Time Costs to date

These are shown as the average rate per hour for each activity based on the actual time spent by each grade of staff at their specific charge - out rate.

#### Joint Administrators' Fees Estimate

Our Fees Estimate detailing the work that we anticipate will need to be undertaken on the case for the duration of the appointment together with estimates of the likely cost and amount of time that each part of that work will take to complete, is provided on the next page.

The work anticipated to be undertaken has been categorised by activity which we hope is self explanatory. Please also refer to our Post Appointment Strategy and Proposals on pages 15 and 16 where we have talked in more detail about specific tasks on the case.

We have also separately identified and grouped those work activities that are primarily administrative in nature (including tasks required for statutory, regulatory or compliance purposes) from activities which can be seen to directly add value to the case, such as asset realisation or dealing with claims.

As indicated on page 21, we intend to invite the secured creditors, acting by the Security Agent, to fix our fees on a time costs basis. An analysis showing our estimated time costs for this work and the average hourly charge for each category of work is provided in the Fees Estimate on the next page.

Please note that all staff (including cashiers) assigned to the case record their time spent working on the case on a computerised time recording system. Time spent by secretarial staff working on the assignment is not recorded or recovered. The appropriate staff will be assigned to work on each aspect of the case based upon their seniority and experience, and having regard to the complexity of the relevant work, the financial value of the assets being realised and/or claims agreed. Time is recorded and charged in six minute units.



## Appendices Appendix C

### Fees Estimate

#### Joint Administrators' Fees Estimate for MGR Realisations Limited (in administration) for the period of the Administration

Activity		Anticipated Time and Costs per Fees Estimate		
		Anticipated hours	Avg Rate £/h	Anticipated fees (£)
Administrative activities	Cashiering	17.5	650	11,375
	Case supervision	38.0	667	25,331
	Case reviews	28.2	741	20,910
	Case closure matters	16.5	747	12,325
Statutory & compliance	Compliance & IPS diary	14.4	597	8,592
	Insurance	2.0	775	1,550
	General reporting	92.8	648	60,183
Initial actions	Appointment matters	7.0	918	6,425
	Notifications	49.0	684	33,528
Investigations	CDDA reporting	33.6	704	23,642
	Investigations	15.5	764	11,848
<b>Total of above categories</b>		<b>336.3</b>	<b>687</b>	<b>231,187</b>
Taxation	Tax	32.0	651	20,832
	VAT	22.8	604	13,738
Asset realisations	Other assets	18.3	862	15,943
	Pensions	0.5	815	408
Correspondence	Creditors	32.3	734	23,649
	Shareholders	5.0	650	3,250
	Press & media queries	12.6	998	12,579
Distributions	Shareholder creditors	17.4	774	13,413
<b>Total fees estimate</b>		<b>497.6</b>	<b>699</b>	<b>345,199</b>

#### Note 1

**Time costs incurred to date** – please note that due to the recency of our appointment, time costs to date have not been provided.



## Appendices

### Appendix D

#### Joint Administrators' Proposals

Our Proposals will be deemed approved on 10 February 2023 unless a creditors' decision procedure is requisitioned in accordance with Rules 15.18 and 15.19 of the Rules 2016.

We will still need to obtain specific approval for the resolutions given below from the secured creditors:

1. Approval that the basis of the Joint Administrators' remuneration shall be fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the administration plus VAT.
2. Approval that Joint Administrators be authorised to draw category 1 expenses, (plus VAT where applicable) from the administration estate.
3. Approval that the Joint Administrators be discharged from liability per paragraph 98 of Schedule B1 of the Act immediately upon the registration of the Joint Administrators' final progress report by the Registrar of Companies.

A creditors' committee will not be formed unless we are requested to hold a decision procedure for purposes of forming a creditor's committee; please refer to page 1 of the Proposals for details of the procedure in this regard.

***Please note that if you wish to form a creditors' committee, you will also be expected to confirm your willingness to serve or be represented on the creditors' committee, including dealing with any business placed before the creditors' committee throughout the period of the administration and in any follow on liquidation should a creditors' committee be formed. )***



## Appendices

### Appendix E – SIP 16 Statement

#### SIP 16 Statement dated 26 January 2023

Set out on the following pages. :



# **MGR Realisations Limited (in administration)**

## **SIP 16 Statement**

26 January 2023



## ‘SIP 16 statement

The Transaction

Background Information

Initial Introduction and Pre Appointment  
Considerations

Marketing

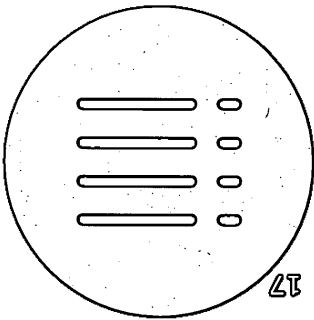
Valuation

The Purchaser and Related Parties

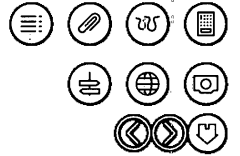
Connected Person Transactions

Evaluator Report and Viability Statement

Glossary



2  
4  
9  
11  
15  
16  
17





## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Joint Administrators of the Company

Daniel Butters

Matthew Mawhinney

Teneo Financial Advisory Limited,

156 Great Charles Street,  
Queensway

Birmingham, B3 3HN

### Contact details

Email: [parth.patel@teneo.com](mailto:parth.patel@teneo.com)

[www.ips-docs.com](http://www.ips-docs.com)

Tel: +44 121 619 0120



### The Transaction - Overview

On 26 January 2023, Daniel Butters and Matthew Mawhinney ("the Joint Administrators") both of Teneo Financial Advisory Limited ("Teneo") were appointed as Joint Administrators of MGR Realisations Limited (previously Matalan Group Limited before a change of name on 19-Jan-23) ("the Company").

Shortly following the Joint Administrators' appointment, the Company's entire shareholding in Matalan Finance plc ("PLC") was sold to Maryland Bidco Limited ("the Purchaser") ("the Transaction").

The consideration for the Transaction comprised £1.

It is intended that, following completion of the Transaction, the Purchaser will appoint common directors (see page 16 for further details) with those of the Company and is therefore a connected party. As such, a qualifying report from an independent evaluator has been obtained, as detailed further on page 17.

The qualifying report supports the conclusion that the value of the Group breaks in the 1<sup>st</sup> Lien ("1L") debt and thus that the value of the Company's shareholding in PLC is nil, thereby supporting the £1 consideration for the Transaction.

### Statutory Purpose of the administration

The purpose of an administration is split into three parts:

1. To rescue a company as a going concern (in other words, a restructuring which keeps the actual entity intact); and
2. If the first purpose is not reasonably practicable (or the second purpose would clearly be better for the creditors as a whole), then the Joint Administrators must perform their functions with the objective of achieving a better result for creditors as a whole than would be obtained through an immediate liquidation of the company. This would normally envisage a sale of the business and assets as a going concern (or a more orderly sales process than in liquidation).
3. If neither of the first two parts of the purpose are reasonably practicable, the Joint Administrators must perform their functions with the objective of realising property in order to make a distribution to secured and/or preferential creditors as applicable.

Prior to the appointment of the Joint Administrators, the Company had significant unsecured creditor liabilities and had guaranteed and secured significant creditor liabilities of certain of its direct and indirect subsidiaries ("the Group"). The Company, together with its legal and financial advisers, and in consultation with key stakeholders, had explored a range of options for a refinancing or restructuring of the Group. However, ultimately this was not achievable. As discussed further below, the Company also undertook a thorough M&A process, which did not result in any solvent bids for the Group. As such, the Joint Administrators concluded that the first option was not possible to achieve.

Accordingly, the purpose of the administration is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Company. This purpose of the administration has been achieved through the Joint Administrators effecting the Transaction as part of the wider restructuring, as set out on page 16. Further details regarding the Transaction is also provided on page 8.

### Post appointment – functions and responsibilities

As part of our general duties as Joint Administrators, we are required to fulfil our statutory and regulatory duties as set out in our proposals which have also been uploaded to the website set up for the Company at [www.ips-docs.com](http://www.ips-docs.com). Please note, that in fulfilling these duties, we must act in the best interests of the Company's creditors as a whole.

## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Joint Administrators of the Company

Daniel Butters

Matthew Mawhinney

Teneo Financial Advisory Limited,

156 Great Charles Street,  
Queensway

Birmingham, B3 3HN

### Contact details

Email: [parth.patel@teneo.com](mailto:parth.patel@teneo.com)

[www.ips-docs.com](http://www.ips-docs.com)

Tel: +44 121 619 0120

### Rationale for the Transaction

Overall, in executing the Transaction, the Joint Administrators are confident that they have acted with due regard for all creditors' interests.

The Joint Administrators are satisfied that the Transaction together with the wider restructuring described further below delivers the best available outcome for creditors as a whole.

The consideration of £1 paid for the Company's shares in PLC is supported through:

- The full and expansive marketing process that was undertaken, which resulted in no offers which exceed the value of the Group's total debt of £593.2m. As such, we are confident that the value of the shares in PLC does not exceed £1; and
- An independent valuation (commissioned by PLC and the Security Agent) from Interpath Advisory Limited ("Interpath") which placed the enterprise value of the Group as at 11-Jan-23 on a debt-free, cash-free going concern basis between £200m and £300m (reducing to £150m to £250m after the valuation impact of the new money need), and also concluded that the value of the Group breaks in the 1L debt, and that the value of the Company's shares in PLC's shares is nil.

The Transaction is part of a wider restructuring which is being led by an ad-hoc group ("AHG") of four 1L lenders, who represent over 70% of the 1L by value, being the debt in which the value of the Group breaks, and who, (in accordance with the Intercreditor Agreement dated 25-Jan-18 (as amended and restated from time to time (the "ICA"))) are able to give instructions in relation to Enforcement Action (which was necessary in order to effect the wider restructuring).

It is noted that the offers received as part of the M&A process did not meet the 1L AHG's valuation expectations and were not acceptable to them.

A summary of the steps of the wider restructuring of the Group are outlined here and further detail provided on page 16:

- Immediately prior to the Transaction, the Purchaser loaned money to PLC to repay the Super Senior ABL facility ("the PLC-Purchaser Loan") which was guaranteed and secured by the Company at the time of the Transaction. The PLC-Purchaser Loan was repaid shortly thereafter (one business day following the Transaction) using a new intercompany loan between the Purchaser and PLC, thus extinguishing the liability in full; and

- The 1L and 2<sup>nd</sup> Lien ("2L") debt (which was guaranteed by the Company) has been transferred to the Purchaser. We understand that, on or before 60 days following the Transaction, the Purchaser plans to equitise the 1L and 2L debt (i.e. release in consideration for the issue of shares), thereby extinguishing the liabilities that are guaranteed by the Company.

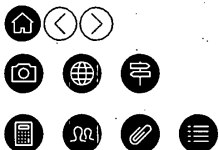
In addition, it should be noted that the Transaction and wider restructuring results in the preservation of the ongoing business and operations of the Group as the Purchaser has secured £100m of new funding to support the working capital requirements of the Group. Therefore:

- The secondary preferential creditor claims with respect to VAT liabilities due to HMRC will be paid in the ordinary course of business as a result of the Transaction as the Company was, until shortly before the administration, in the same VAT Group with Matalan Retail Limited ("MRL"). MRL continues to trade as a result of the Transaction and is therefore expected to meet any outstanding VAT liabilities; and
- The pre-pack sale safeguards the jobs of the Group's c.11,500 employees and preserves the business' ongoing relationships with suppliers and other commercial counterparties.

We also note that:

- The Transaction was the only offer capable of implementation within the timescale available, in light of the wider Group funding requirement in the week ending 04-Feb-23; and
- The Company, together with its legal and financial advisers, and in consultation with key stakeholders, had explored a range of options for a refinancing or restructuring of the Group. However, ultimately this was not achievable.

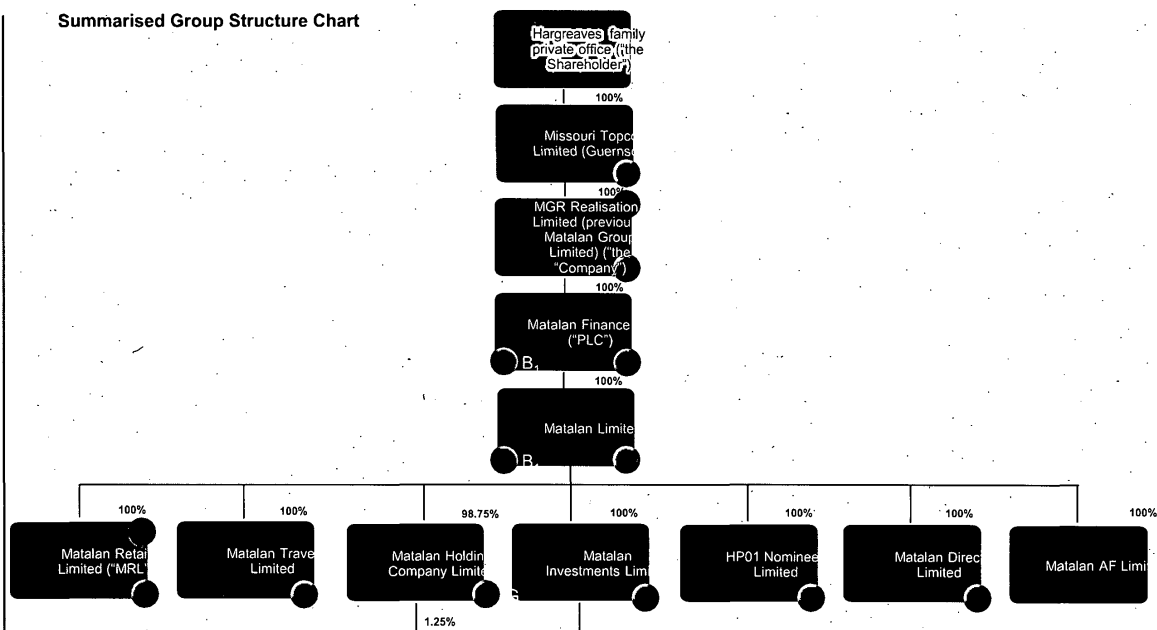
Alternative options to the Transaction were considered and detailed on page 10. The M&A process ("the M&A Process") is detailed on pages 11-14.



# SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

## Background Information

Summarised Group Structure Chart



Source: Management information

- Key
- Non-trading Group entities
  - Main trading entity
  - Holdco structure
  - Shareholder
  - Administration appointment
  - Holder of Matalan IP
  - Guarantor of Super Senior ABL facility, 1L and 2L
  - Borrower of Super Senior ABL facility
  - Borrower of 1L, 2L and 3L facilities

## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Background Information

#### Overview

- The Company is a non-trading holding company of the Matalan Group ("the Group"), which is a British fashion and homeware retailer that operates from out-of-town retail stores, and online.
- The Group was established in 1985, with the first store being opened at Bamber Bridge, near Preston in the UK.
- The Group has c.230 UK stores and 53 International franchise stores across Europe, the Middle East and Africa. Approximately 78% of sales are in-store, 19% online and 3% international (franchise fees). In the Middle East, the Matalan brand is franchised to BTC, which is based in Qatar.
- The Group has c.11,500 employees that are primarily in selling and distribution roles across its retail network.
- MRL is the main trading entity within the Group and holds the majority of the Group's assets and liabilities, excluding the Group IP (which is owned by Matalan Limited).
- The Company and Group was owned ultimately by the Hargreaves family private office ("the Shareholder").
- The Company owned 100% of the share capital in PLC, which was the main borrower of the debt facilities described on this slide.
- Neither the business nor assets of the Company have been acquired from an Insolvency Practitioner ("IP") within the 24 months prior to the Joint Administrators' appointment.

#### Debt and security structure

- As at the date of the Transaction, the Group had total secured debt of c.£527.2m (£490.0m of principal debt and £37.2m of PIK interest) and unsecured debt totalling £66.0m (£50.0m of principal debt and £16.0m of PIK interest) as follows:

Facility	Limit (£'m)	(Drawn (£'m))	Interest rate	Maturity Date
Super Senior Lender	60.0	60.0	SONIA + 6.95%	Jul-23
1L	350.0	350.0	6.8%	Jul-23 <sup>1</sup>
1L PIK		11.6	6.8%	Jul-23 <sup>1</sup>
2L	80.0	80.0	9.5%	Jan-24
2L PIK		25.6	9.5%	Jan-24
<b>Total secured debt</b>	<b>490.0</b>	<b>527.2</b>		
3L	50.0	50.0	9.5%	Jul-24
3L PIK		16.0	9.5%	Jul-24
<b>Total debt</b>	<b>540.0</b>	<b>593.2</b>		

Source: Management Information

(1) On 25-Oct-22, the Group received consent (90%) from the holders of its 1L secured debt to extend the 1L maturity by six months to 31-Jul-23 to support the M&A process.

- Prior to completion of the Transaction, that secured and unsecured debt sat within PLC, as follows:

- Super Senior ABL Facility;
- 1L;
- 2L;
- 3<sup>rd</sup> Lien ("3L");
- Unsecured creditors; and
- Shareholder creditors and Intra Group debts

- Matalan Limited and MRL were also borrowers of the Super Senior ABL facility from the Super Senior Lender.

- The remaining Group entities, including the Company, were guarantors of each of the Super Senior ABL facility, 1L and 2L.

- The Company, together with the other Group entities, granted fixed and floating charge security to GLAS Trust Corporation Limited as Security Agent (previously Lloyds Bank Plc) in the form of a debenture dated 25 January 2018 (as supplemented from time to time, including pursuant to the first supplemental debenture dated 8 June 2020 and the second supplemental debenture dated 25 July 2022).

- Immediately prior to the Transaction, the Super Senior ABL facility was repaid using a loan of £61.2m provided by the Purchaser to PLC, (the PLC-Purchaser Loan). The PLC-Purchaser Loan was guaranteed and secured by the Company at the time of the Transaction, however, this loan was repaid shortly thereafter (one business day after the Transaction) by a new intercompany loan between the Purchaser and PLC, thereby extinguishing the Company's guarantee liability.

#### Directors / Company Secretary

- As at the date of the Joint Administrators' appointment, the directors of the Company were Paul David Copley, Stephen Mark Hill, Timothy Keith Isaacs and Donald William Christopher Mallon. The directors of the Company did not hold any shares in the Company at the date of appointment or guarantee any of the Group's debt.
- The Company Secretary was William George Lodder. The Secretary of the Company did not hold any shares in the Company at the date of appointment or guarantee any of the Group's debt.

## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Background Information

#### MGR Realisations Limited balance sheet – FY20A to FY23 YTD

£'m	FY20	FY21	FY22
<b>Assets</b>			
Investments	437.4	437.4	437.4
Receivables	-	55.1	55.1
<b>Total non-current assets</b>	<b>437.4</b>	<b>492.5</b>	<b>492.5</b>
Receivables	55.1	-	-
<b>Total current assets</b>	<b>55.1</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>492.5</b>	<b>492.5</b>	<b>492.5</b>
<b>Liabilities</b>			
Payables	(106.3)	(106.3)	(106.3)
<b>Total current liabilities</b>	<b>(106.3)</b>	<b>(106.3)</b>	<b>(106.3)</b>
<b>Total liabilities</b>	<b>(106.3)</b>	<b>(106.3)</b>	<b>(106.3)</b>
<b>Net assets</b>	<b>386.2</b>	<b>386.2</b>	<b>386.2</b>
<b>Shareholders' equity</b>			
Share capital	21.9	21.9	21.9
Share premium	355.2	355.2	355.2
Warrant reserve	3.1	3.1	3.1
Retained earnings	6.0	6.0	6.0
<b>Total shareholders' equity</b>	<b>386.2</b>	<b>386.2</b>	<b>386.2</b>

Source: Management information

#### Historical Company performance overview

- The Company was a holding company whose assets solely consisted of intercompany balances (both receivables and payables) and shares in PLC.
- The Company did not trade and had no employees. The directors did not receive any remuneration for their services to the Company.
- The receivables balance related to amounts owed by PLC and the payables balance related to amounts owed to MRL.
- Shortly prior to the appointment of the Joint Administrators, a series of loan rationalisation steps were entered into between PLC, the Company and MRL meaning that at completion of the Transaction, the Company owed c.£51.2m to MRL.



**SIP 16 statement**  
MGR Realisations  
Limited - In  
Administration ("the  
Company")

**Background Information**

**Summarised Group P&L – FY20 to FY23 Q3**

	FY20	FY21	FY22	FY23 Q3 (P1 to P9)
Revenue	1,129.4	744.1	1,027.1	885.7
Cost of sales	(1,000.6)	(713.6)	(877.4)	(806.1)
Gross margin	128.8	30.5	149.7	79.6
Administrative expenses	(59.5)	(69.8)	(60.0)	(46.4)
Depreciation & amortisation	112.1	108.1	105.6	80.8
Exceptionals	1.6	11.7	2.5	0.1
EBITDA post-IFRS 16	183.0	80.5	197.8	114.1
Restated EBITDA under IAS17	80.3	(21.5)	100.3	42.1

Source: Management Information

Note 1 – Group year ends were as follows; 29/02/2020; 27/02/2021; 26/02/2022. FY20 was a 53 week period whereas FY21 and FY22 were 52 week periods.

**Historical Group performance overview**

**FY20**

- FY20 was the last financial year of "normal" trading for the Group pre-COVID-19. The Group delivered more than c.£1.1bn of sales and c.£80m of EBITDA.

**FY21**

- The Group faced unprecedented challenges in FY21 as a result of COVID-19, with store closures being the primary driver behind the decline in revenue to £744.1m.
- Trading was further impacted by the need to apply additional discounting to offload seasonal stock. This was partially offset by the UK government's COVID-19 support packages., resulting in an EBITDA loss of £21.5m for the period.

**FY22**

- The impact of COVID-19 on trading continued in the first two months of FY22, with further UK store closures in Mar-21 and Apr-21 and worldwide supply chain disruption. Despite the disruption, the Group delivered sales and EBITDA of c.£1.0bn and c.£100m respectively in FY22.

**Current Group trading overview (FY23 Q3)**

- The Group has delivered sales of £885.7m in the nine month period to 26-Nov-22 ("FY23 Q3"), resulting in EBITDA of £42.1m.
- Revenue has been impacted by decreased demand amongst the Group's customers and increased levels of markdowns. This has been partially offset throughout the period by underlying price increases (7.2% in H1-23 and 12.9% anticipated in H2-23).
- Weakened consumer demand in Sep-22 and Oct-22 has been largely driven by the current macro environment and cost of living pressures, as well as an unseasonably warm start to the Autumn / Winter season.
- Cost of sales in the period have been impacted by currency movements (USD strengthening against GBP), higher freight costs (contracted rate increases and fuel surcharges) and increased stock shrinkage / write offs (higher levels of thefts in Sep-22 and Oct-22).
- Administrative costs in the period have been impacted by an increase in property costs (arising from higher utility, insurance and service charges), increased advertising spend in Sep-22 and Oct-22 (which is in line with increased markdowns in this period) and increased warehousing and distribution costs (due to incurring additional third party storage costs as a result of port industrial action in Sep-22 and Nov-22).



## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Background Information

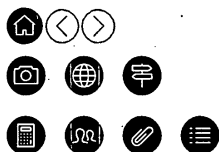
#### Circumstances leading to the appointment of the Joint Administrators

##### Recent activity

- Since Jan-22, the Group (including the Company as guarantor) had been considering its options to refinance the 1L and 2L debt ahead of maturity in Jan-23 and Jan-24 respectively.
- On 13-Jun-22, the 1L formed an AHG of three lenders (representing 53.7% of the 1L by value) and undertook negotiations with the Shareholder in respect of a number of structured solutions to secure a refinancing.
- The Group and its advisors worked constructively with the 1L AHG and its advisors to agree a framework ("the Framework Agreement") for recapitalisation of the Group which was signed on 23-Sept-22 and involved:
  1. 1L AHG support for a consent solicitation, or scheme of arrangement if needed, to extend the 1L maturity by six months;
  2. Launch of an M&A process with the 1L AHG offering staple financing of £200m to bidders; and
  3. A lender-led transaction structure as a fallback to the M&A Process ("the Fallback Transaction").
- As such, the M&A Process was launched on 26-Sept-22. 1L support for a consent solicitation to extend maturity of the 1L to 31-Jul-23 was received on 25-Oct-22.
- On or around 07-Dec-22, a fourth lender joined the 1L AHG, following which the 1L AHG represented over 70% of the 1L by value.

#### The Fallback Transaction

- Following the Phase One bid deadline (21-Oct-22), four indicative offers were received.
- Phase Two was launched on 31-Oct-22, with the Phase Two final offer deadline occurring on 15-Dec-22.
- Two offers were received on 15-Dec-22 that showed value breaking in the 1L notes. Feedback was received from the 1L AHG confirming that the offers received were not at an acceptable level for the 1L AHG, based on a combination of structure and value.
- Given that neither a new buyer at a better price nor refinancing was likely achievable within the timeframe, the decision was taken by the directors of the Company to conclude the M&A Process and to pursue the Fallback Transaction led by the 1L AHG. A revised framework agreement ("the Revised Framework Agreement") was subsequently entered into on 22-Dec-22.
- Further details on the M&A Process are set out on pages 11-14.



## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Initial Introduction

### Pre Appointment Considerations

### SIP 16 disclosure

#### Initial introduction

Teneo (previously Deloitte UK Restructuring Services) was introduced to the Company via an existing corporate relationship with the Group's CFO, Stephen Hill.

Prior to the appointment of the Joint Administrators, Teneo had the following involvement with the Group:

- Dec-19, Deloitte LLP ("Deloitte") was engaged by MRL and Missouri Topco Limited to perform a review of a portfolio of c.50 shopping centre tenants on behalf of Spelthorne Borough Council, based on publicly available information (i.e. financial statements published at Companies House).
- From 22-Mar-20 to 30-Jun-20, Deloitte was engaged by PLC, Matalan Limited, MRL, Missouri Topco Limited and the Shareholder as company-side advisor for the Group, providing financial and debt advisory services.
- From 26-Mar-2021 to 30-Sep-2021, Deloitte was engaged by PLC, MRL, Missouri Topco Limited and the Shareholder to provide debt advisory services.
- Following the sale of the Deloitte UK Restructuring Services business to Teneo in Jun-21, Teneo was engaged from 13-Oct-21 by the Company, PLC, Matalan Limited and MRL to provide restructuring advice in advance of the Group's bond refinancing.
- From 28-Jun-22, Teneo's engagement with the Company was expanded to include M&A services, on the basis that this could be needed to deliver a recapitalisation of the Group.
- From 23-Sept-22, Teneo's engagement with the Company was further expanded to provide contingency planning advice in the event of an insolvency of the Group.
- From 03-Oct-22, Teneo Securities LLC was engaged by the Company as part of the M&A Process to provide broker services with respect to any potential investors that are a United States person or are owned by a United States person ("US parties"). As per regulation, in order to market shares in the United States, a registered "broker-dealer" is required and Teneo Securities LLC provided these services in order for Teneo to market to the US parties.
- From 13-Dec-22, Teneo was engaged by the Company to provide tax advice relating to the Fallback Transaction.

### Functions and Responsibilities

Our role prior to the administration appointment was primarily to act as advisor to the Group (but not the directors in their capacity as directors of the Company or its subsidiaries).

Our engagement letter dated 23-Sept-22 stated that Teneo would not provide advice to the directors and/or the officers of the Company in respect of their legal or statutory duties and responsibilities.

From the outset of our involvement, the Company, wider group (the Group) and the Board have been advised by their own legal counsel, Clifford Chance LLP, in respect of their duties and responsibilities. Clifford Chance LLP have joined regular Board meetings. Prior to the appointment of the Joint Administrators, the Board was responsible for all Company decisions.

Following our appointment as Joint Administrators, we have a statutory obligation to perform our functions in the interests of the Company's creditors as a whole.

### Pre-appointment Considerations

#### Prior involvement

Prior to the matters identified opposite, Teneo did not have any prior involvement with the Company, the Group or their respective directors.

#### Consultation with stakeholders

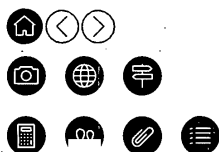
As noted on further page 10, the Group conducted a number of rounds of negotiations between the 1L AHG and the Shareholder in respect of a number of structured solutions to secure a refinancing of the Company's debt. Despite this, no proposal was agreed between those parties.

The Group also conducted a number of rounds of discussions with the 2L throughout the process.

Other than the 1L, 2L and Shareholder (being the 3L), the Company's other creditors are HMRC (as the Company is in a VAT Group with MRL and other group entities) and MRL (via intercompany liabilities). All stakeholders were thus aware.

On 23-Dec-22, HMRC was notified of the Transaction via an application for non-statutory business clearance regarding the availability of the exemption for restructuring scenarios. The application was acknowledged by HMRC as received on 05-Jan-23.

We note that there have been a number of public announcements regarding the process (including those on 26-Sept-22 and 22-Dec-22), as well as press attention that will have come to the attention of stakeholders of the Group.

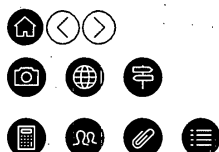




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**Alternative options**

**Pre Appointment**  
**Considerations**



	Comment
<b>1. Debt restructuring (either consensually or via Restructuring Plan)</b>	<ul style="list-style-type: none"> <li>The Company, together with its legal and financial advisers, and in consultation with key stakeholders, had explored a range of options for a refinancing or restructuring of the Group. However, due to a combination of factors including volatility in the debt capital markets and the continued underperformance of the Group's business (which aligned with broader retail conditions) ultimately this was not achievable.</li> <li>In particular, prior to signing the Framework Agreement, the Group pursued a debt restructuring with the 1L AHG and the Shareholder, intended to be delivered either consensually or via a Restructuring Plan (in the event a consensual agreement could not be obtained given the 90% consent threshold required).</li> <li>Proposals considered included a debt for equity swap for a portion of the 1L notes and a new money injection from the Shareholder and certain members of the 1L.</li> <li>Despite a number of rounds of negotiations between the 1L AHG, the Group (including Company) and the Shareholder, no proposal was agreed and there remained significant uncertainty as to the deliverability of any implementation method (i.e. via consent solicitation or via a Restructuring Plan).</li> </ul>
<b>2. Solvent sale</b>	<ul style="list-style-type: none"> <li>As part of the M&amp;A Process, 87 parties were approached. This resulted in four Phase 1 bids, none of which were for a solvent purchase of the Group. It was thus not considered feasible that a solvent sale of the Group could be achieved.</li> </ul>
<b>3. Post-appointment sale process</b>	<ul style="list-style-type: none"> <li>The M&amp;A Process was expansive and covered both trade and strategic investors, including distressed investors and received substantial national press coverage. As such, it was considered that trading the Company for a period of time after the appointment of administrators with a view to running a further sales process would have been unlikely to result in any new credible potential purchasers.</li> <li>Without the Transaction and wider restructuring, due to the imminent funding requirement on the week ending 04-Feb-23, it is unlikely that the directors of MRL and Matalan Limited would have been able to continue to trade outside of administration, resulting in an insolvency of MRL and Matalan Limited.</li> <li>In this alternative, returns would have been available to the Company's creditors via guarantees and/or security from other Group entities. Those returns would primarily arise from realisations (if any) in the administrations of MRL and Matalan Limited and would likely have been lower than the returns achieved by the Transaction due to the adverse operational impact of MRL and Matalan Limited having entered into insolvency.</li> <li>We have prepared a number of estimated outcome statements under different assumptions and based on different dates, which all show a full return to the Super Senior Lender (same as the Transaction), partial (but lower) return to the 1L and nil return to the 2L and 3L, meaning that this alternative would not have delivered higher returns to creditors than the Transaction.</li> <li>An administration of MRL would also result in a significantly worse outcome to the unsecured trade creditors of MRL given they would not be paid ordinary course of business, unlike in the Transaction where MRL and other Group entities remain outside of an insolvency process.</li> <li>A Group-wide insolvency would also present a number of issues (such as the loss of leases / key contracts) which would reduce the return for creditors. It would also have put the jobs of the Group's c.11,500 employees at risk.</li> </ul>
<b>4. Administration wind-down</b>	<ul style="list-style-type: none"> <li>Our estimated outcome analysis suggests that a Group-wide insolvency and wind-down would not result in realisations that exceed the value of the Company's total debt of £593.2m. As such, we are confident that the value of the shares of PLC would not exceed £1 in a wind-down of the Company.</li> </ul>

## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Marketing

#### SIP 16 disclosure

##### Marketing of the Business and Assets

Where a pre-packaged sale is being conducted, we are required to ensure that the marketing process conforms with the Marketing Essentials as set out in SIP 16. Any deviation from these principles must be explained to show how the differing strategy adopted delivered the best available outcome and why we relied upon the marketing conducted.

##### Overview of the Process

From 28-Jun-22, Teneo was engaged by the Company to provide M&A services, including disposal process planning, marketing to indicative offers and tax advice. This was on the basis that an M&A process could be needed to deliver a recapitalisation of the Group.

Following a period of planning and preparation, the Company released a Business Update on 26-Sep-22 that announced, inter alia;

- The launch of the M&A Process;
- The 1L AHG's offer to provide £200m of senior secured staple financing to interested parties;
- The 1L AHG's commitment to support the Group's intention to extend the maturity of the 1L notes of £350m maturing in January 2023 by 6 months; and
- The 1L AHG's commitment to an alternative recapitalisation transaction (known as the "Fallback Transaction") should the M&A Process not deliver a sufficiently attractive outcome.

The M&A Process initially targeted a transaction completion by mid-Dec-22, however, the timing remained flexible and subject to change (within available liquidity constraints) based on the nature and level of interest from potential buyers.

Interested parties were invited to explore interest in;

- a sale of the entire issued share capital or business and assets of the Company and/or the Group (the "Sale Transaction"); or
- a controlling investment in the Group (i) by way of new equity issued by the Company in consideration for a deleveraging of the Group's existing debt arrangements; or (ii) in connection with a deleveraging, restructuring and / or amending the terms of the Group's existing capital and debt arrangements (the "Investment Transaction").

##### Company Oversight

Throughout the M&A Process, the Company was responsible for making decisions with respect to the M&A Process and in which respect received (input and advice from Teneo and Clifford Chance LLP as legal counsel) on matters including:

- Sign-off of marketing materials;
- Parties to approach in the M&A Process;
- Timing and nature of information provided to parties; and
- Parties to progress at each of the key milestones.

The AHG's advisors were kept informed of the process and key developments throughout.

##### Preparation phase

The scope of the planning workstream included the preparation of the following:

- A list of trade and financial buyers to approach. The list of parties considered input from management, outputs from previous processes run by other advisors and sector knowledge and analysis;
- A 78 page information memorandum ("IM") on the Group with an appropriate level of detail to educate parties on the business and the opportunity;
- A Phase One virtual data room ("VDR") including additional financial, commercial and operational information on the business;
- Script to be used during initial calls with interested parties; and
- Draft non-disclosure agreement ("NDA"), process letter and outline timeline for the target transaction completion.

The IM, information contained within the VDR and process letter (together the "Phase One Marketing Materials") were designed to provide interested parties with sufficient information upon which to make an informed investment decision and submit an indicative Phase One offer by 21-Oct-22.



## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Marketing

#### SIP 16 disclosure

##### Summary of parties approached

The agreed buyer universe included:

- 46 strategic buyers based across the UK, Europe, the US and the Far East; and
- 41 financial buyers, including mainstream private equity and distressed investors, across the UK and globally.

The above included two connected parties which were:

- An investment vehicle controlled by the Shareholder; and
- An ad hoc group of the 2L ("2L AHG").

##### Phase One

Teneo began to approach the agreed list of parties starting from 27-Sep-22 following the Business Update announcement on 26-Sep-22 with the following stepped approach:

- introductory call and/ or email providing background to the situation and overview of the Group and the M&A Process;
- agreement of a signed NDA; and
- issuance of the Phase One Marketing Materials following receipt of a signed NDA.

Given PLC's 1L and 2L bonds were listed on the International Stock Exchange ("TISE"), careful consideration was required with respect to the dissemination of material non-public information ("MNPI") to current or prospective bondholders that looked to participate in the M&A Process.

Interested parties that held, traded or intended to hold or trade the listed bonds were unable to directly receive MNPI as part of the process. However, appointed advisors were able to receive MNPI on their clients' behalf.

Immediately following the Business Update announcement, there was a significant amount of press coverage and speculation around the M&A Process and, in particular, the Shareholder's participation in the process.

One article quoted the Shareholder as saying "I am stepping down as chairman so that I can participate in the strategic sales process as a bidder".

As part of Phase One, interested parties were not offered direct access to management, however Teneo facilitated Q&A with input from management, responding to 67 questions raised by various parties.

By the indicative offer deadline on 21-Oct-22, of the 87 parties approached:

- 14 expressed an interest in the opportunity, signed an NDA and subsequently received the Phase One Marketing Materials; and
- 73 declined the opportunity prior to receiving an NDA.

Of the 14 signed NDAs, nine were from financial parties, three from strategic parties and two from connected parties.

Feedback that was received from parties who withdrew from the process included:

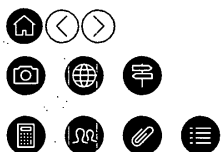
- limited appetite for retail opportunities given the current macroeconomic environment;
- influence of the Shareholder over the business and participation in the M&A Process, as stated publicly in the media; and
- limited capacity to participate in the M&A Process at this time due to their own operational challenges (particularly for strategic buyers).

##### Indicative offers

By 21-Oct-22, four parties submitted indicative offers for the business, with headline enterprise values ranging from £250 million to £465 million.

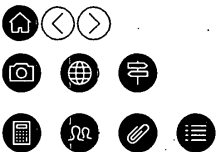
Following feedback from the potential purchasers on the target completion date of end-Dec-22, a new target completion date was set for mid-Jan-23. All potential purchasers confirmed the ability to meet the target completion date of mid-Jan-23.

Following discussion with the Independent Financing Committee ("IFC"), who were leading the M&A Process on behalf of the Board, all four bidders were progressed to Phase Two.



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**Phase Two**

The four bidders taken forward into the second phase of the process were asked to submit final offers by 15-Dec-22.

During Phase Two, parties were provided with:

- access to the Phase Two VDR containing comprehensive financial, operational, legal and commercial information;
- independent financial due diligence report;
- virtual and in-person meetings with Management covering topics such as FY23 forecasts, FY24-FY26 forecasts, customer, e-commerce and product as well as site visits of the Distribution Centres, Head Office and a selection of stores; and
- detailed due diligence by way of Q&A.

Due to the timetable for completion, driven by the impending liquidity event, bidders were aware that they would not be able to receive the December management accounts or Christmas trading information prior to submitting a final offer.

**Reforecasting FY23-FY26**

Whilst the business delivered strong sales during Sep-22, the performance required investment in above forecast levels of promotion and discounts to support trading. Furthermore, it experienced a deteriorating demand pattern as it progressed through the month.

The mini-budget that was released by the UK Government on 23-Sep-22 had a profound impact on the retail sector, creating instability in the government, higher interest rates, uncertainty on future energy support and a weakening of GBP against the USD – all of which had a material impact on consumer confidence.

Further, during Oct-22, trading conditions worsened due to a sustained period of unseasonably warm weather. Following material underperformance on both sales and margin compared to forecast over a period of consecutive weeks, Management decided a substantive reforecasting exercise should be initiated.

The reforecast indicated a significant degradation in the Group's FY23 out-turn EBITDA projections from c.£80m to c.£30m and indicated a funding requirement of c.£100m (the previous forecasts did not indicate any need for new capital in the business).

The outputs from the reforecast were shared with all bidders in Phase Two as well as the independent financial due diligence provider.

**Summary of Phase Two offers**

On 15-Dec-22, two final offers had been received for the business with headline value ranging from £240 million to £215 million.

A table below summarises the final offers received during Phase Two:

	Final Offer 1 from Bidder 1	Final Offer 2 from Bidder 2
Enterprise value	£240m	£215m
ABL required to roll	Yes	Yes
Level of diligence remaining	High	Low
Exclusivity and cost coverage required	Yes	Yes
Outcome for 1L	£100m re-instated 1L 50% equity	£50m unsecured debt in the buyer £25m cash on day 1
Draft SPA mark up received	Yes	Yes

## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Marketing



#### Summary of Phase Two offers continued

The two parties that did not submit a final offer included:

- Bidder 3 – A letter was received on 15-Dec-22 stating that Bidder 3 would not be looking to submit a final offer due to the deterioration in recent trading of the business.
- Bidder 4 – A separate letter was also received on 15-Dec-22 stating that a final offer could not be submitted until post the Christmas trading period and therefore Bidder 4 was unable to comply with the process timetable.

#### • Phase Two conclusions

Following IFC approval, the two final offers received were shared with the 1L AHG and their advisors. Feedback was received from the 1L AHG confirming that the offers received were not at an acceptable level for the 1L AHG, based on a combination of structure and value.

The two final offers received supported the conclusion that the value of the Group breaks in the 1L notes and therefore that the PLC shares owned by the Company have no value.

Given that neither a new buyer at a better price nor refinance was likely achievable within both the timeframe required, the decision was taken by the directors of the Company to conclude the M&A Process and to pursue the Fallback Transaction led by the 1L AHG.

Bidders were informed that their offers would not be taken forward and the M&A Process was subsequently concluded by the Company.

#### Supporting statements for conclusion

In addition to the prior information shared, our overall conclusion on the M&A Process is based on:

- Teneo engaged with 87 parties over a period of 12 weeks. This number of parties is an appropriate number on which to form a view on market value;
- There was significant press coverage following the business announcement on 26 September 2022 and subsequent media coverage which resulted in two inbound expressions of interest being received. This resulted in one additional party receiving the marketing materials and one another choosing not to progress to an NDA;

- Minimal further inbound interest was then subsequently received following press coverage post the launch of the M&A Process suggesting it is unlikely a credible buyer for the Group would not have been made aware of the opportunity;
- Buyers were afforded the opportunity to consider alternative transaction structures;
- The marketing materials in the form of the IM, script and Phase One VDR provided bidders with appropriate information on which potential buyers could base their preliminary interest and submit indicative offers taking into account the nature of the process and commercial sensitivity of the information;
- For parties progressed to Phase Two, this was then supplemented by further information on the Group and access to management (including detailed Q&A, management presentations and follow-up calls as appropriate) which enabled well considered Phase Two offers to be submitted;
- In the circumstances, we consider that Management and the Board supported the process appropriately and information was provided to parties in a timely manner;
- The Group was continuing to face challenges with trading that would worsen creditors' positions. The M&A Process was run efficiently to avoid unnecessary destruction of value from a disorderly process driven by an operationally driven liquidity event; and
- The four indicative offers received and subsequently the two final offers were evaluated based on value, overall potential return to creditors, relative deliverability and timeline to completion.

Based on the work performed, the Joint Administrators consider that a comprehensive and appropriate marketing exercise targeted at both financial and trade buyers has been conducted within the time available for a transaction to be completed. This is based on the fact that: (i) the only two inbound expressions of interests were received (which highlights that the appropriate steps were taken to target the correct buyer groups); and (ii) the M&A Process was conducted over a period of 12 weeks.

The evidence from this marketing process clearly supports the conclusion that the proposed pre-pack represents the best outcome reasonably obtainable in the circumstances taking into account the timescales required and status of the business.

## SIP 16 statement

### MGR Realisations Limited - In Administration ("the Company")

#### Valuation

#### SIP 16 disclosure

##### Valuation of the Business and Assets

##### Interpath Advisory Limited ("Interpath")

In addition to the M&A Process undertaken by the Group, PLC and Security Agent commissioned an independent valuation from Interpath dated 26-Jan-23.

Interpath has stated that it considers the enterprise value of the Group as at 11-Jan-23 on a debt-free, cash-free going concern basis is between £200m and £300m (reducing to £150m to £250m after the valuation impact of the new money need).

This supports Interpath's conclusion that the value of the Group breaks in the 1L debt. With less than full recovery for the holders of the 1L debt, Interpath also concluded that the value of the 2L debt is nil. Furthermore, as the intercompany balances between members of the Group are subordinated to the 1L and 2L debt which is secured by the security from the Company in favour of the Security Agent, the value of such intercompany balances is also nil.

Taking all of the above into account, Interpath's valuation provides further evidence (in addition to the outcome of the M&A Process undertaken by the Group) that the value of PLC's shares is nil.

Interpath is an independent consulting firm with appropriate experience and credentials in valuation and insolvency work. They have provided valuation advice on multiple transactions, in both insolvent and distressed scenarios.

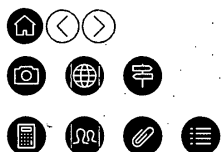
Interpath confirmed it is appropriately qualified, that it has adequate professional indemnity insurance to undertake this work and has no conflicts of interest in undertaking this work.

##### Valuation summary results

As set out on page 6, the Company's only asset was its shareholding in PLC.

We are comfortable the value of the PLC shares is nil, based on the results of the M&A Process. This has been further validated by an independent valuation from Interpath, which was commissioned by the Security Agent and provided to us on a reliance basis.

As such, we are comfortable that the Transaction represents the optimal structure for maximising recoveries to creditors as a whole, bearing in mind the rights of the holders of the 1L debt as secured creditors under the ICA.



## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### The Purchaser and Related Parties

### Relevant property

### Sales Consideration

#### SIP 16 disclosure

##### Purchaser and Related Parties

The Purchaser is Maryland Bidco Limited.

We are aware that the Purchaser intends following completion of the Transaction to appoint common directors with those of the Company and is therefore a connected party.

The directors or secretary of the Company which may become directors or secretary of the Purchaser are as follows: Paul David Copley, Stephen Mark Hill, Nigel Graham Oddy, Donald William Christopher Mallon and William George Lodder.

As such, a qualifying report from an independent evaluator has been obtained by the Purchaser as detailed further on page 17.

##### Relevant Property

- Shortly following the appointment of the Joint Administrators, the Company's entire shareholding in PLC was sold to the Purchaser.
- The Company has no assets not included in the sale. The Company's £55.1m intercompany receivable (which had no value as demonstrated by the Interpath valuation) was rationalised prior to the Transaction as part of a series of loan rationalisation steps between PLC, the Company and MRL.

##### Sale Consideration

- The total consideration for the Transaction comprised £1.
- Consideration payable to the Joint Administrators of £1 was acknowledged under the Transaction documentation on completion. Therefore none of the purchase price is at risk.
- Consideration will be allocated to the Company's shareholding in PLC, which is subject to fixed charge.

##### Wider restructuring of which the Transaction forms part

As a result of the wider restructuring implemented around the same time as the Transaction:

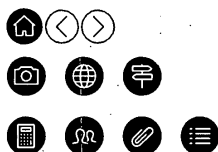
- The Purchaser has repaid the Super Senior ABL facility on behalf of PLC, which created a new debt liability owing from PLC to the Purchaser ("the PLC-Purchaser Loan"). The PLC-Purchaser Loan was guaranteed and secured by the Company at the time of the Transaction, albeit the primary obligation was repaid shortly thereafter (one business day following the Transaction) by a new intercompany loan between the Purchaser and PLC. The liability under the PLC-Purchaser Loan that was guaranteed by the Company at the time of the Transaction has thereby been extinguished;

- New funding has been secured to support the working capital requirements of the business of the Group under the new ownership of the Purchaser, with a view to enabling the business to continue on a more stable footing for the future; and
- The 1L and 2L debt (which was guaranteed by the Company) has been transferred to the Purchaser. On or before 60 days, following the Transaction the Purchaser plans to equitise the 1L and 2L debt (i.e. release in consideration for the issue of shares), thereby extinguishing the liabilities that are guaranteed by the Company.

The remaining creditors to the Company are in respect of VAT liabilities due to HMRC and an intercompany payable due to MRL of £51.2m.

We note that the Company was in the same VAT Group with MRL until shortly prior to the appointment of the Joint Administrators and, as MRL continues to trade as a result of the Transaction, it is anticipated it will meet outstanding VAT liabilities due to HMRC.

As the Company has no assets following the Transaction, the Joint Administrators will fulfil their statutory and regulatory duties with respect to the Company. These are set out in our proposals which have also been uploaded to the website set up for the Company at [www.ips-docs.com](http://www.ips-docs.com).



## SIP 16 statement MGR Realisations Limited - In Administration ("the Company")

### Connected Person Transactions

#### SIP 16 disclosure

##### Connected Person Transactions

##### Conditions and requirements in relation to substantial disposals to a Connected Person ("CP")

The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 ("the Regulations") prohibit the following disposals:

- where all or a substantial part of the Company's business or assets
- is disposed of, hired out or sold to one or more CPs
- during the period of 8 weeks beginning with the start of the administration
- (i.e. "a substantial disposal")

Unless, either of the following conditions is met:

- (a) a qualifying report in respect of the disposal has been obtained; or
- (b) approval of the Company's creditors for the making of the disposal has been obtained in accordance with the Regulations.

As has been described in the preceding pages the Purchaser is a CP and the Transaction is for the sale of a substantial part of the Company's business assets. Accordingly, in order to allow the Transaction to proceed, the following action has been taken.

##### Qualifying Report

On 16-Dec-22, the Purchaser approached an independent evaluator ("the Evaluator") to obtain a qualifying report on the substantial disposal.

A copy of the qualifying report ("the Report") dated 25-Jan-23 and authenticated by the Evaluator was provided in writing to us, as Joint Administrators, on the same day.

##### Case Made Opinion

The Report contained a statement made by the Evaluator that they were satisfied that the consideration of £1 proposed to be paid by the Purchaser for the shares in PLC and the grounds for the substantial disposal were reasonable in the circumstances of the Company and the wider Group.

##### Viability Statement

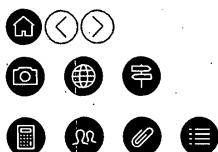
The Purchaser has provided the Joint Administrators with a statement dated 25-Jan-23 ("the Viability Statement") which explains how new funding has been secured by the Purchaser to support the working capital requirements of the on-going business of the Group, with a view to enabling the business to continue on a more stable footing for the future.

#### Notification requirements

The Report and Viability Statement has been appended to this statement and our Proposals as filed at Companies House. Both are also available for viewing and download from the case website at [www.ips-docs.com](http://www.ips-docs.com). Please also note that you can request hard or soft copies of these reports to be provided to you (free of charge) on request to [John.Lynch@teneo.com](mailto:John.Lynch@teneo.com).

We are satisfied in relation to the Report that the requirements of regulations 6 and 7 of the Regulations have been met, specifically:

- (i) that from the statement made in their report, the Evaluator had sufficient relevant knowledge and experience to make a qualifying report. A confirmation to this point was included by the Evaluator in the Report; and
- (ii) that there have been no material changes, since the Report was made to:
  - the relevant property (the shares in PLC),
  - the terms of the substantial disposal, or
  - any circumstances relating to the substantial disposal.





**SIP 16 statement**  
MGR Realisations  
Limited - In  
Administration ("the  
Company")

**Viability Statement**

**SIP 16 disclosure**

Extract from the Viability Statement addressed to the Joint Administrators dated 25-Jan-23 from the Purchaser

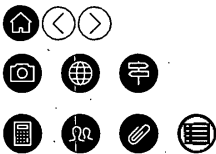
3. Matalan has finalised the terms of a comprehensive recapitalisation backed by a group of holders of Matalan's first lien senior secured notes representing over 70% of the outstanding amount and led by Invesco, Man, GLG, Napier Park and Tresidor. This agreement marks the conclusion of the strategic sales process launched on 26 September 2022.
4. In summary, the transaction delivers a de-levered and sustainable balance sheet, a meaningful maturity runway upon which to return to strong, profitable growth, and a substantial injection of fresh capital:
  - a) a significant reduction in gross debt from £593 million to £336 million, a day-1 reduction of £257 million;
  - b) up to £100 million of new capital to provide funding for operations and the delivery of our growth strategy;
  - c) financing runway for the next 4 years, with the earliest maturity in the new debt package now pushed out to January 2027; and
  - d) a flexible debt package which provides additional committed, undrawn funding, additional basket capacity and a range of downside protections.
5. In addition, the transaction will support the ongoing development and enhancement of Matalan's stores, logistics network and website, all of which are unaffected directly by the transaction, supporting Matalan's colleagues, suppliers and other partners in continuing to deliver the great customer value Matalan is famous for.
6. The recapitalisation transaction is scheduled to complete on 26 January 2023.
7. Ownership of the business will transfer to holders of Matalan's first lien senior secured notes, and the business will be majority owned by Invesco, Man GLG, Napier Park and Tresidor.



**SIP 16 statement**  
MGR Realisations  
Limited - In  
Administration ("the  
Company")

**Qualifying Report**

**SIP 16 disclosure**  
The Qualifying Report – set out on the following pages



# Qualifying Report

Under The Administration (Restrictions on Disposal etc.  
to Connected Persons) Regulations 2021

IN RELATION TO THE PROPOSED SUBSTANTIAL  
DISPOSAL OF THE BUSINESS AND ASSETS OF:

**MGR REALISATIONS LIMITED**

**(FORMERLY MATALAN GROUP LIMITED)**

**TO MARYLAND BIDCO LIMITED**

25 JANUARY 2023



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ICAEW  
CHARTERED  
ACCOUNTANTS

# PURPOSE, CONTENTS AND INTERPRETATION

## PURPOSE

As Per the Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021, in the absence of Creditor Approval of this substantial disposal, a connected party purchaser is required to obtain a Qualifying Report in accordance with Section 6 of the Regulations, and this report has been commissioned for that purpose.

## CONTENTS

- 1) Evaluator Profile and Professional Indemnity Insurance
- 2) Transacting Companies, and The Connected Person
- 3) Proposed Transaction Details and Previous Qualifying Reports
- 4) Independent Asset Valuation and Marketing
- 5) Evidence Relied Upon and Opinion on the Proposed Transaction

## INTERPRETATION

In this Report:

**"The Regulations"** means The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

**"Qualifying Report"** has the meaning given to it in Regulation 5 of the Regulations.

**"Previous Report"** has the meaning given to it in Regulation 8 of the Regulations.

**"Substantial Disposal"** has the meaning given to it in Regulation 3 of the Regulations.

**"Connected Persons"** as defined in Paragraph 60A(3) of Schedule B1 to the Insolvency Act 1986 and includes Directors, Shadow Directors, and other Officers of the Company, as well as Connected Companies.

**"Relevant Property"** means the property being disposed of, hired out or sold by the Substantial Disposal.

**"The Proposed Administrator"** means Daniel Butters and Matt Mawhinney of Teneo Financial Advisory Limited ("Teneo").

# 1) EVALUATOR PROFILE AND PROFESSIONAL INDEMNITY INSURANCE

## EVALUATOR PROFILE

I, Johnny Abraham, confirm that I am satisfied that my knowledge and experience is sufficient to meet the requirements set out under Part 3 of The Administration (Restriction on Disposal etc. to Connected Persons) Regulations 2021.

I have over 21 years of experience specialising in Business Funding, Restructuring and Insolvency matters which has been gained within an International Big 4 Professional Services Firm, a National Independent Restructuring and Insolvency practice, and within my own Independent Specialist Business Advisory Firm. I also have experience in Commercial Lending gained within two International Banks.

I am a Fellow Member of the Institute of Chartered Accountants in England and Wales, a Fellow Member of the Association of Business Recovery Professionals, and an Accredited Member of the Institute for Turnaround. I am also a Member of the Board of the Turnaround Management Association in the UK.

I can confirm that:

- I meet the requirements as to Professional Indemnity Insurance as specified in Regulation 11, (Further details set out below);
- I meet the requirements as to independence, as specified in Regulation 12; and
- I am not excluded from acting as an Evaluator by virtue of Regulation 13.

Having met the requirements set out above, I can therefore act as an Evaluator in respect of making this Qualifying Report.

## PROFESSIONAL INDEMNITY INSURANCE

**Insurer:** QBE UK Limited.

**Policy Number:** 00010817PIC

**Risks Covered:** Professional Indemnity Insurance to cover the Business Funding, Rescue and Restructuring Advisory Services provided by J9 Advisory Limited, including acting as an Evaluator in producing a Qualifying Report under the Regulations.

**Amount Covered:** £1,000,000 (any one claim)

**Exclusions:** Geographical Exclusion (USA and Canada). Vicarious Liability Exclusion.



## 2) TRANSACTING COMPANIES, AND THE CONNECTED PERSONS

### DISPOSING COMPANY

**MGR Realisations Limited ("Matalan Group")**  
(Formerly Matalan Group Limited)  
Company Number - 05974909

### PROPOSED PURCHASER

**Maryland Bidco Limited ("Maryland Bidco")**  
Company Number - 14556590

### CONNECTED PERSONS AND NATURE OF CONNECTION

**The First Lien Noteholders** - are Secured Funders of Matalan Group and hold Fixed and Floating Charges via GLAS Trust Corporation Limited (as "the Security Trustee").

98.68% of the First Lien Noteholders have agreed to a Restructuring Implementation Deed ("RID") which the Proposed Transaction relates to.

As part of the Proposed Transaction, the First Lien Noteholders will be issued with their respective apportionment of new £200,000,000 Senior Secured Notes (pro-rata to their aggregate holding of the existing First Lien Notes), together with Shares in the Ultimate Holding Company of Maryland Bidco in consideration for the transfer to Maryland Bidco of liabilities owed to them under the First Lien Notes.

The following 4 parties are First Lien Noteholders which together it is anticipated will hold the majority of the entire issued share capital of the Ultimate Holding Company of Maryland Bidco and therefore will be the beneficial owners of Maryland Bidco.

**Tresidor Investment Management LLP (OC423884)** - Via various controlled entities.

**GLG Partners Limited (03902880)** - Via various controlled funds.

**Invesco Asset Management Limited (00949417)** - Via various controlled or managed funds.

**Napier Park Global Capital (US) LP (1269777)** - Via various controlled or managed funds.

Whilst not as yet confirmed, the following persons may be appointed as Directors or as the Company Secretary of Maryland Bidco on conclusion of the Proposed Transaction and have therefore been included in this report for complete transparency:

**Nigel Graham Oddy** - Is a Director (CEO) of Matalan Retail Ltd (02103564) which is a 100% indirectly owned Subsidiary of Matalan Group.

**Donald William Christopher Mallon** - Is a Director of Matalan Group and Matalan Finance PLC (05962488) together with other related entities.

**Paul Copley** - Is a Director of Matalan Group and Matalan Finance PLC, together with other related entities.

**Stephen Hill** - Is a Director of Matalan Group and Matalan Finance PLC, together with other related entities.

**William George Lodder** - Is the Company Secretary of Matalan Group and Matalan Finance PLC, together with other related entities.

# 3) PROPOSED TRANSACTION DETAILS AND PREVIOUS QUALIFYING REPORTS

## BUSINESS AND ASSETS BEING DISPOSED ("RELEVANT PROPERTY")

Maryland Bidco is proposing to acquire substantial Business and Assets of Matalan Group which consist of the following:

- 100% Shareholding in Matalan Finance PLC (05962488)

It should be noted that Matalan Group is a Guarantor and Fixed and Floating Security Provider (in favour of GLAS Trust Corporation Limited as the Security Trustee) in relation to a Senior Facility (Borrowed by Matalan Finance PLC, Matalan Limited and Matalan Retail Ltd), the First Lien Notes (Issued by Matalan Finance PLC), and the Second Lien Notes (Issued by Matalan Finance PLC).

## PROPOSED CONSIDERATION AND TERMS

Maryland Bidco proposes to acquire the Relevant Property of Matalan Group for the consideration, and under the terms detailed below:

### Consideration

- The 100% Shareholding in Matalan Finance PLC will be acquired for £1 subject to the terms set out below.

### Terms:

- The Borrowing and Guarantee Liabilities in respect of £350,000,000 of the First Lien Notes plus c.£11,600,000 of accrued cash interest, will be acquired for the issuance of £200,000,000 of New Senior Secured Notes and Shares in the Ultimate Holding Company of Maryland Bidco. There will therefore be a c.£361,600,000 reduction in Secured Claims.
- The liabilities in respect of the Second Lien Notes of £80,000,000 plus £25,600,000 of accrued PIK interest will be acquired for £1, and there will therefore be a c.£105,600,000 reduction in Secured Claims.
- Full repayment of all outstanding amounts under the Senior Facility amounting to £60,000,000 and there will therefore be a £60,000,000 reduction in Secured Claims.
- In accordance with an Inter-Creditor Agreement in relation to the original financing, the Security Trustee shall release a Shareholder Loan of £50,000,000 together with PIK of c.£16,000,000 and there will therefore be a £66,000,000 reduction in Secured Claims.
- In accordance with the terms of the RID, the Security Trustee shall release Matalan Finance PLC Inter-company Loan Notes, PIK along with other subordinated and inter-company liabilities.
- In summary, in addition to the £2 of cash consideration, there will therefore be a total reduction in Secured Claims of £593,200,000.

## PREVIOUS QUALIFYING REPORTS

The Connected Persons above have provided written confirmation that no previous Qualifying Reports have been instructed or received from any other Evaluator.

There is no reason for me to believe that this is incorrect, and therefore I surmise that Section 8 of the Regulations does not apply.

# 4) INDEPENDENT VALUATION AND MARKETING

## INDEPENDENT VALUATION

I have been provided (on a confidential basis) with a copy of a Final Draft Fairness Opinion Report dated 24 January 2023 that has been prepared by Interpath Advisory Limited, for GLAS Trust Corporation Limited (the Senior Facility, the First and Second Lien Note as Security Trustee).

The report includes a valuation of the 100% Matalan Finance PLC Shareholding, an Enterprise Valuation (Cash Free, Debt Free, Going Concern basis of Matalan Group, Matalan Finance PLC and all other related subsidiaries), a valuation of the First and Second Lien Notes, and a valuation of the Non-Cash Consideration. All valuations were as at 11 January 2023.

From the information detailed in the report, it is clear that the value of the Relevant Property is below the par value of the First Lien Notes and therefore at this time, the First Lien Noteholders would be the sole economic beneficiary of any value to be realised from Matalan Group and its subsidiaries.

The Report also sets out comparisons of the value return to creditors under the Proposed Transaction, together with the two third party offers that have also been received.

## MARKETING

The Proposed Administrators have provided information with regards to the level of marketing activity that has been completed in relation to the Relevant Property which is summarised as follows:

On 28 June 2022, Teneo were initially engaged to prepare for a possible Sales Process on behalf of the Matalan Group on the basis that this may have been required in order to deliver a recapitalisation. Following a Business Update that was delivered by Matalan Group on 26 September 2022, Teneo launched a Controlled Sales Process.

A total of 87 potential interested parties were identified and approached with regards to the opportunity; this consisted of 46 Strategic Buyers across the UK, Europe, US and the Far East, together with 41 Financial Buyers including mainstream Private Equity and Distressed Investors across the UK and globally.

From this activity, 18 Non-Disclosure Agreements were sent to interested parties, of which 14 were returned. These parties were subsequently provided with Phase One Marketing Materials which included an Information Memorandum together with access to a Phase One Data Room. A Phase One offer deadline was set as 21 October 2022 and at this point four offers were received.

The four parties were then granted access to a Phase Two Data Room which provided more detailed Operational, Legal and Commercial information as well as a revised financial forecast for the current financial year. A Phase Two offer deadline was set as 15 December 2022, and at this point, two offers were received in addition to the Proposed Transaction.

On 3 January 2023, the two third party bidders were advised that their offers were not at a level that was acceptable to the First Lien Noteholders.

The Proposed Transaction reflects the final offer made by the Connected Persons to purchase the Relevant Property, and details have been publicised by the Matalan Group Board on 16 January 2023.



# 5) EVIDENCE RELIED UPON, OPINION ON THE PROPOSED TRANSACTION

## EVIDENCE RELIED UPON

In undertaking my review of the Proposed Transaction and reaching the opinion below, I have relied upon the following information and evidence that has been provided to me. No detailed audit or verification of the information or evidence provided has been undertaken.

- Correspondence with the Connected Persons Lawyers, Kirkland & Ellis International LLP, together with a Detailed Information Pack.
- Correspondence with the Proposed Administrators
- Company Financial Information including the latest Business Update dated 16/01/23
- Details of the alternative offers that were received.
- Proposed Purchaser Bid Letter
- Fairness Opinion Report completed by Interpath Advisory Limited

## OPINION

**I am satisfied that the consideration to be provided for the Relevant Property, and the grounds for the substantial disposals, are reasonable in the circumstances.**

In arriving at this opinion I have considered all of the information that has been provided to me, and I have also considered the commercial benefit to the Proposed Administrators of completing the Proposed Transactions including:

- The terms of the transaction result in a total reduction in Secured Creditor Claims of c. £593,200,000. This provides a total reduction in Group Gross Debt from c.£593,200,000 to c.£366,000,000, representing a day one Group Debt reduction of c.£257,000,000.
- Completion of the Proposed Transaction therefore provides financial stability and viability to the subsidiary companies, specifically Matalan Retail Ltd which employs over c.11,500 people and has a significant supply chain.
- 98.68% of the First Lien Noteholders (who will suffer a shortfall as discussed above) are supportive of progressing the Proposed Transaction.
- Up to £100,000,000 of new capital will be made available to support growth of the Matalan Retail business.
- Completion of the Proposed Transaction provides a greater return and mitigates against the downside risk that would be associated with progressing the alternative third party offers.

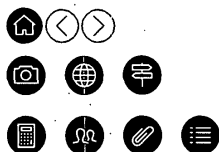
For the avoidance of doubt, I express no opinion as to whether Maryland Bidco is, or will in the future remain a going concern, neither do I express an opinion on any decision made by the Proposed Administrators of Matalan Group to enter into a Connected Party Transaction. These are matters for the Proposed Administrators to determine.



Johnny Abraham FCA  
Managing Director  
J9 Advisory Limited

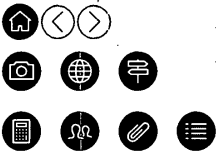
## Glossary

<b>1L</b>	First Lien Senior Secured Notes	<b>FY20</b>	Historic results year ended 29 February 2020
<b>1L AHG</b>	An Ad-hoc Group of the 1L	<b>FY21</b>	Historic results year ended 27 February 2021
<b>2L</b>	Second Lien Senior Secured Notes	<b>FY22</b>	Historic results year ended 26 February 2022
<b>2L AHG</b>	An Ad-hoc Group of the 2L	<b>FY23</b>	Forecast year ended 25 February 2023
<b>3L</b>	3 <sup>rd</sup> Lien Sub-Ordinated Unsecured Shareholder PIK Notes	<b>FY23 Q3</b>	Actual results for 39 weeks ended 26 November 2022
<b>ABL</b>	Asset-based lending	<b>FY24</b>	Forecast year ended 24 February 2024
<b>AHG</b>	Ad-hoc Group	<b>FY25</b>	Forecast year ended 22 February 2025
<b>Bidco</b>	Maryland Bidco Limited	<b>FY26</b>	Forecast year ended 21 February 2026
<b>Company</b>	MGR Realisations Limited (previously Matalan Group Limited)	<b>Group</b>	The Company, PLC and PLC's subsidiaries
<b>CP</b>	Connected Person	<b>Group IP</b>	The Matalan intellectual property (held within Matalan Limited) which includes the following: (i) trademark rights; (ii) logos; (iii) registered designed; (iv) domain names; (v) social media accounts; (vi) intellectual property IP licences; (vii) customer databases; and (viii) loyalty card data.
<b>COVID-19</b>	Coronavirus	<b>HMRC</b>	His Majesty's Revenue and Customs
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation	<b>ICA</b>	Inter-creditor agreement
<b>Fallback Transaction</b>	Fallback transaction to sell the shares in PLC to a 1L owned vehicle	<b>IFC</b>	Independent financing committee
<b>Framework Agreement</b>	The agreed framework for recapitalisation with the AHG	<b>IM</b>	Information memorandum
		<b>Interpath</b>	Interpath Advisory Limited
		<b>IP</b>	Insolvency Practitioner



Glossary

Investment Transaction	A controlling investment in the Group (i) by way of new equity issued by the Company in consideration for a deleveraging of the Group's existing debt arrangements; or (ii) in connection with a deleveraging, restructuring and / or amending the terms of the Group's existing capital and debt arrangements	Sale Transaction	A sale of the entire issued share capital or business and assets of the Company and/or the Group
Joint Administrators	Daniel Francis Butters and Matthew Mawhinney of Teneo Financial Advisory	Security Agent	GLAS Trust Corporation Limited
M&A	Mergers and acquisitions	Shareholder	Hargreaves family private office
Management	Senior management team of the Group	SIP 16	Statement of Insolvency Practice 16
ML	Matalan Limited	SONIA	Sterling Overnight Index Average
MNPI	Material non-public information	Super Senior Lender	Bantry Bay
MRL	Matalan Retail Limited Non-disclosure agreement	Teneo	Teneo Financial Advisory Limited
NDA		TISE	The International Stock Exchange
PIK	Payment-in-kind interest	Transaction	The sale of the Company's shareholding in PLC to the Purchaser
PLC	Matalan Finance PLC	US Parties	Any potential investors that are a United States person or are owned by a United States person
PPE	Plant, property, equipment	VAT	Value added tax
Purchaser	Maryland Bidco Limited	VDR	Virtual data room
RCF	Revolving credit facility		
Revised Framework Agreement	The agreed revised framework for recapitalisation with the AHG		
ROU	Right of use		





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## Appendices

### Important notice

#### Important Notice

This document has been prepared by the Joint Administrators solely to comply with their statutory duty under paragraph 49 of Schedule B1 of the Act to lay before creditors a statement of their Proposals for achieving the purpose of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This document has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

Any estimated outcomes for creditors included in this document are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

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The Joint Administrators act as agents of the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Teneo Financial Advisory Limited does not assume any responsibility and will not accept any liability to any person in respect of this document or the conduct of the administration.

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