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MISSOURI TOPCO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

52 WEEKS ENDED 26 FEBRUARY 2022

MISSOURI TOPCO LIMITED

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MISSOURI TOPCO LIMITED

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MISSOURI TOPCO LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022

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

Overview

Following the unprecedented challenges seen in FY21 as a result of the impacts of COVID-19, the 52 weeks to 26 February 2022 represented a demanding period, with further store closures effected by UK government legislation and worldwide supply chain disruptions as a result of the pandemic. Despite these obstacles, and assisted by the COVID-19 support packages provided by the government, the group managed to significantly improve its level of performance and profitability.

The Group achieved Earnings before interest, tax, depreciation and amortisation ("EBITDA") before exceptional items of £197.8m (2021: £80.5m). See note 8 to the financial statements for EBITDA reconciliation to the statutory results.

Business review

Revenue for the 52 weeks ended 26 February 2022 was £1,027.1m (2021: £744.1m). Much of this sales growth was as a direct result of the period being less impacted by government enforced store closures than FY21 but we nevertheless experienced six weeks of store closures at the beginning of the year. Online continued to perform strongly with the growth seen in FY21 retained in the year despite the ending of the advantageous online trading conditions provided by the UK government legislated lockdowns.

Gross profit was £149.7m (2021: £30.5m). We incurred significant levels of discounting in the year due to the need to liquidate the old stock package that we entered the year with as a result of last year's and this year's store closures. This level of discounting was mitigated by the successful sell-through of the old stock package resulting in a much reduced terminal stock provision compared to the unprecedented scale of terminal stock provisions in FY21. This level of discounting was also offset by utilisation of the Coronavirus Job Retention Scheme and government issued business rates relief. We continued to improve our cost productivity and made necessary costs mitigations in light of the pressure of COVID-19.

Administrative expenses, before exceptional items, were £57.5m (2021: £58.1m). Administrative expenses, including exceptional items, were £60.0m (2021: £69.8m). Both years benefitted from savings delivered within staff costs due to furlough relief alongside cost reduction exercises performed across the business. The prior year figures reflected the one-off impairments of both the head office and Oxford Street store.

Exceptional items included in operating profit total £2.5m of administrative expenses (2021: £11.7m of administrative expenses). The £2.5m exceptional costs in the 52 weeks to 26 February 2022 related to the termination of a number of employment contracts as part of a reorganisation of our store management structure. Refer to note 30 in the financial statements for more details.

Operating profit, before exceptional items, was £92.2m (2021: £27.6m loss). Operating profit including exceptional items was £89.7m (2021: £39.3m loss).

Net finance costs were £97.4m (2021: £92.2m), the increase driven by the annualization of the additional debt financing obtained during FY21 and the non-recurrence of the finance income realised in the prior year as a result of the early termination and settlement of a number of foreign exchange forward contracts to aid liquidity. Refer to note 5 to the financial statements for more details.

The statutory loss after tax was £2.1m (2021: £115.7m loss).

Business review (continued)

Additions to property, plant and equipment of £14.1m (2021: £15.9m) and intangible assets of £8.4m (2021: £10.2m) during the period include investment in the supply chain to increase ecommerce capacity. This involved the introduction of significant new automation to our Knowsley Distribution Centre, including the roll-out of the new pocket sorter, allowing us to move to a far more efficient batch picking model.

Development and performance of the business

Matalan is proud to be trusted to make everyday living brighter and better value for our customers. Through the implementation of our business strategy, we aim to deliver our mission to transform into a truly omni-channel brand.

In the summer of 2021, we finalised a refreshment of our strategy and we have since then rolled out our investment programme to deliver our mission. Our strategy is designed to both capitalise on our existing strengths and evolve our capabilities while adapting to the changing marketplace and latest consumer behaviour trends.

The strategy has four pillars, each of which is underpinned by the values with which we operate our business on a daily basis:

1. Drive performance in the core business
2. Further build and develop our omni-channel capabilities
3. Unlock and deliver new growth opportunities
4. Reposition the brand

Drive performance in the core business

The COVID-19 pandemic will have long lasting effects on customer behaviour, what they buy as well as where and how they want to shop. It is therefore crucial that now more than ever, we are attentive to our customers' needs and expectations and evolving how we operate accordingly to ensure that we continue to cater to changing consumer preferences. We intend to continue to do this while remaining acutely aware of the role that we play in our consumers' lives. At our core, we are a brand that provides a range and value that enables our consumers to dress themselves and their families and decorate their homes with style and quality at an affordable price. We use our deep understanding of our customers' attitudes, behaviours, lifestyle, and product propensity to meaningfully segment our customer base and tailor our range architecture to appeal to their needs. In doing so, we offer a clear range and sub-brand architecture through our three tiered product range: "Good", "Better" and "Best", while maintaining competitive opening price points that anchor our value proposition and overall brand positioning. We also offer in-house designed brands such as "Et Vous", within womenswear, and "*Lincoln*", within menswear, and have utilised our investments in design, fabrics, and distinct visuals (such as unique brand handwriting) to generate sub-brand equity and greater price flexibility in support of our overall blended margin position.

Strong and consistent execution of our core offering will remain paramount to our strategy and, as such, so will our focus on maintaining deep and enduring relationships with our suppliers and the development of compelling ranges that offer value, as well as making those ranges available to our consumers when and how they want to buy them. In pursuing these objectives, we expect to continue exploiting the benefits of RFID inventory tracking, which is now fully implemented across our ranges. RFID inventory tracking provides enhanced availability to consumers, more accurate replenishment and a leaner and more efficient management of working capital.

Drive performance in the core business (continued)

We are constantly striving to achieve greater efficiencies and effectiveness in our core business. To that end, we intend to continue developing and improving our merchandise planning, management, systems and processes. Specific areas of focus include our inventory allocation and the replenishment process and critical path from range design to inventory delivery. We believe that such improvements, enabled and backed by RFID inventory tracking, will present opportunities to operate with leaner inventory and deliver a higher representation of full price sales in the total mix, as well as corresponding reductions in markdowns.

Although we have significantly enhanced our online capacity over the last year in response to the periods during which the UK government mandated store closures, we remain as committed as ever to our in-store business. We have a significant presence in convenient, predominantly large-formatted and accessible out-of-town locations. Our physical store estate plays a crucial role in our omni-channel strategy and we actively manage our store portfolio to maintain a high performing and customer-relevant footprint across the UK. Our store refurbishment programme, which we plan to reinstate in FY23 after putting it on hold during COVID-19 is intended to modernize and improve store navigation, create brand segregation through fixtures and spot lighting, and increase the level of customer choice by intensifying the use of store space.

As store leases approach maturity, we proactively consider the location, size and format of our physical locations in the relevant catchment and decide whether these leases remain the most appropriate environment for our consumers. As a result, on an annual basis, we anticipate either re-locating or extending our existing leases in a number of our stores. Our store estate also represents a significant proportion of our cost base. While we do not believe that out-of-town space is as over-rented in the current market as high street space, we continue to rebase rent costs where appropriate, as lease maturities approach.

We also believe that opportunities continue to exist for the addition of profitable new store space within the UK market. Recent changes in retail property economics within the market and the exit or contraction of a number of competitors have resulted in additional locations becoming viable and available for our stores.

A critical enabler to what we offer our customers is our ability to operate cost effectively. We continuously challenge ourselves to improve our processes, minimise waste and execute correctly the first time. Within our supply chain, we believe the investment in Pocket Sorter Automation, at our Knowsley Distribution Centre in October 2021, provided a material uplift in online fulfilment capacity and operating productivity.

We are also making changes to how some of our ranges are shipped into the UK from our Long Lead Time supply base in response to material increases in the cost of shipping. Finally, we will also transport more of our products in flat packed boxes that will then be re-processed onto garment hangers once in the UK. We believe that this change will improve container utilisation and end-to-end supply chain costs.

Further build and develop our omni-channel capabilities

With the pace of change in customer behaviour having been accelerated by the COVID-19 pandemic, we see the importance in continuing to improve our ability to respond quickly and operate effectively. In many areas, our improvements will involve capitalising on investments already made, as well as investing in new technology, process automation and digitalisation.

The development of our ability to fulfil online orders from stores inventory provides a greater opportunity for inventory to be sold at full price prior to the exit phase of its lifecycle, given the ability of a larger number of customers to access inventory located within an individual store through our online channel. While such rapid development has been a success, we will continue to further improve customer communications and order tracking post-purchase.

Further build and develop our omni-channel capabilities (continued)

The ability to use our stores to fulfil online demand remains a key element within our supply chain operation. However, we recognise that fulfilling online demand from our Knowsley Distribution Centre will always be the most cost-effective choice. Therefore, we have increased our online picking and dispatch capacity from the Knowsley Distribution Centre, which went live in October 2021. By moving from order-picking to the more efficient batch-picking model through the implementation of Pocket Sorting Automation, we have enhanced our capacity, efficiency and service levels, and now the Knowsley Distribution Centre is equipped to fulfil the majority of our online orders in a channel that we forecast will continue to grow. We will continue to invest in automation, capacity and volume throughput enhancements that, we believe, will materially improve the operations of the Knowsley Distribution Centre.

In December 2021, following a strategic review of our growth strategy and existing website capabilities and development roadmap, we took the decision to migrate our website to an alternative platform. After significant due diligence, we have signed a letter of intent and agreed commercial terms with The Hut Group (“THG”), one of the UK’s leading online retail and technology businesses, to migrate our systems onto the Ingenuity platform. We believe that partnering with THG will provide us with the platform and capabilities of a best-in-class eCommerce business. We intend to use this new platform to create a differentiated online selling experience that offers end-to-end digital service and experience and will set us apart from our competitors and other players in our industry, while allowing us to maximise our selling opportunities. We believe that our partnership with THG will fast-track our existing development roadmap.

We believe that the THG Ingenuity platform will allow us to transition from transactional to relationship-led commerce with an integrated loyalty scheme and curated, content-driven customer journeys, guiding consumers through thousands of items with seamless navigation. The improvements to functionality that we will deliver include the ability to merchandise store inventory for online orders beyond the sell-through of our distribution centre’s stock, an integrated reward scheme, order tracking, site search, and extended payment options, including deferred payment. The Ingenuity platform is a fully integrated solution and will replace a number of our existing disparate third-party systems, improving our overall website speed and performance, while improving cost efficiency. We believe that the re-platforming of our website, as well as increased improvements to the customer journey, will add more agility to how we manage cross-channel availability and full-price product sell through from a more efficient inventory position. In addition, we aim to further develop our ability to expand the direct-delivered range of our branded partners on our website, generating revenue without impacting working capital.

Unlock new growth

Research tells us that the breadth of our customer base, wide brand appeal, and existing scale, in both the physical and digital retail space, present several opportunities to accelerate and unlock new and existing routes to growth. We have developed a growth plan that builds upon our existing core business and will allow us to continue to transition into a multi-branded omni-channel platform.

We aim to continue capitalising on the success of our online channel, which has grown rapidly in the last two years, partially due to store closures during the COVID-19 pandemic but also, we believe, as a result of improved customer experience, investments in customer acquisition and the increase of our fulfilment capacity. We believe a significant opportunity exists to convert our loyal brick and mortar-only consumers into omni-channel consumers, increasing shopping frequency and customer value. Therefore, we will continue to capitalise on increased fulfilment capacity and further improve the customer journey through the migration of our website to the THG Ingenuity platform to continue the progress already underway.

Unlock new growth (continued)

In addition, we intend to focus on our range growth plan. From a range perspective we believe that we have a strong apparel-led position with our core consumers, value-conscious, over-45 year olds. Our Core Consumers relate to our offering, but we believe we have not maximised our potential share of their expenditures in apparel and homeware. As such, our growth plan for our range is centred around our apparel proposition, with an aim to occupy a larger share of our consumers' wardrobe. We believe significant opportunities lie in the more effective targeting of consumers in the 35-to-45 age range.

While many of our existing consumers are already in this bracket, we believe that we have not targeted them as effectively as our Core Consumers. We further believe there is an opportunity to target this demographic and create a second core clientele. The launch of two new Matalan label brands during the financial period provide an example of our plans to develop this existing, but historically underserved, customer group ("*Et Vous*", in womenswear, and "*T&W*", in menswear). These new brands are designed to provide a more contemporary look, bridging the gap between everyday casual and smart sophistication. In addition, we have recently launched an online-only dress and separates range called "*Be Beau*", targeting our younger Core Consumers and catering for relaxed but stylish social occasions.

Furthermore, we aim to expand the range choice within our homeware department, to cater to a wider variety of customer missions. Research has shown that our consumers would like us to expand our homeware range, so we are extending our range in key categories, which will better equip us to drive cross-shopping from clothing into homeware. We aim to create a reputation for having a stylish homeware and garden offering, with great choice both through our own label and third-party brands.

In late 2020, we completed the necessary website developments to launch our first direct-delivered range extensions via branded partners. We intend to focus on developing customer awareness in relation to our expanded online range of products while we add to the brands currently offered, including well-known and popular fashion brands that we believe will appeal to our consumers. During FY22 we successfully extended our third-party offer to include a small number of fashion brands. These brands proved to be not only popular with existing consumers, but also with new consumers, who also purchased Matalan label products in the same transaction. For this reason, we view the addition of new third-party brands to our offering as a key way to both attract new consumers and retain existing ones, rather than as a threat to the sale of our own labels and products.

With the breadth of our customer base and extensive reach, we also intend to broaden the services that we offer to partner brands to include customer engagement via access to our consumer and distribution channels. We believe these benefits will provide a compelling recruitment story in support of the onboarding of leading brands. Therefore, we will take a disciplined approach in order to build a consistent brand portfolio that complements our consumers' interests. To support the addition of the new third-party fulfilled branded ranges online, many of which retail at higher price points than our core clothing and homeware range, we will develop the capability to provide buy-now-pay-later options through a third-party partner in our new website.

Internationally, we continue to have a successful franchise network and currently trade via 52 stores in 14 countries operated by a highly skilled partner base of experienced retail operators. This network has continued to expand during the last year and we see significant further growth potential via this model. In addition, we are exploring commercial models to support digital market entry into both the existing franchise territories, as well as unlocking new markets.

Reposition the brand

We have a well-established relationship with our base of active consumers and are focused on maintaining their interest in our brand and keeping them highly engaged in our offering. Despite being one of the leaders in the UK value retail market, we believe there are significant opportunities to further improve style and quality perceptions, as well as the emotional connection that consumers and potential customers have with our brand. We expect that the targeted progress we are currently implementing and we plan to implement in the future will further increase customer awareness about us and our offering.

The implementation of a refreshed and innovative "*Real Life Ready*" brand marketing strategy in FY21 was designed to establish a deeper connection with our customers and further develop our brand personality and fashion credentials. The theme of this positioning is centred around responding to our customers need for ranges that are specifically tailored to fit "real life" occasions. Real Life Ready conveys what we believe our customers value about our brand: value, quality, style and range, in a relatable and optimistic way.

The Real Life Ready branding campaign did not only aim to change consumers' view of our brand, but also the way they "feel" about Matalan. We believe emotion to be key for driving brand engagement, consideration, purchase behaviour and customer loyalty to our brand. We now aim to further evolve this strategy to continue driving brand re-appraisal during a transformational period in retail by addressing outdated perceptions of our brand and proposition and reaching younger audiences within our target customer demographic that are looking for on-trend fashion and homeware at convenient prices. We believe that the economic backdrop within the UK presents the perfect opportunity to position our brand as the go-to choice for consumers re-appraising their spending as a result of the increased constraints to their non-essential spending. Therefore, we intend to capitalise on what we see as an addressable gap in the clothing and homeware market for a business that can deliver an omni-channel proposition for consumers without compromising fashion, quality, choice or value.

We have also recently rebranded our loyalty programme, Matalan Me. We believe our rebranded programme now includes greater clarity on member benefits, improved in-store and online navigation, and an improved self-checkout process. Such loyalty scheme is a key tool through which we manage our customers' ongoing engagement, retention and value. The programme has been running for over 30 years and has an active membership approaching eight million customers. By updating this scheme to further enhance customer engagement, we believe we can more effectively influence brand advocacy, trust and loyalty. The loyalty scheme will ultimately be fully integrated into our new Ingenuity platform, creating a seamless omni-channel loyalty and customer management experience.

We have a long history of providing outstanding value to our customers, who trust us to provide high quality clothing and homeware at attractive prices, and they also expect us to uphold high environmental and social responsibility standards. Over the past five years, we have laid down the foundations to build a sustainable future for our business, our employees and the communities in which we operate. We have defined ESG priorities and intend to continue to demonstrate our commitment to minimising the potential harm to the environment by sustaining and improving such environment through a careful consideration of design, selection of materials and operational procedures, as well as compliance with all regulatory and legislative environmental requirements throughout our business. To this end, we have created a sustainability team, led by our Head of ESG, to improve our sustainability pledges, including those related to supply chain and environmental impact. We understand that improving our transparency in relation to the significant ESG-related work already undertaken is, and will be, critical to our overall brand perception.

Principal risks and uncertainties

The responsibility of monitoring financial risk management and treasury responsibilities and procedures lie with the board of directors. The policies set by the board of directors are implemented by the Group's finance department.

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

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

Nevertheless, despite no further government mandated lockdowns being introduced in the UK, the 52 weeks to 26 February 2022 were punctuated by a number of market and economic disruptions caused by the COVID-19 pandemic. International shipping was severely impacted by the pandemic leading to worldwide supply-chain delays, whilst the rise in the Omicron variant in Winter 2021 led to extremely high infection levels severely impacting everyday life.

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

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

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

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

Economic Conditions - the Group operates in a highly competitive industry. The outlook for the UK and global economy, consumer confidence and spending patterns may impact our ability to deliver growth. This is extremely pertinent now with high levels of inflation across much of the world including the UK putting pressure on the cost of living and uncertainty caused by the war in Ukraine impacting consumer confidence.

The board of directors reviews performance and ensures that management is focussed on key priorities and cost control to mitigate this risk.

Brand & Reputation - failure to meet our customer and/or stakeholder expectations impacts the Matalan brand, customer loyalty and market share.

The Group has an ethical sourcing policy and works closely with customers, performing frequent surveys and feedback sessions, to understand how to best meet their needs. During the financial period, the Group appointed its first ever dedicated Head of ESG.

Principal risks and uncertainties (continued)

Suppliers or Third Parties - failure of a key supplier or third-party would impact the service that the Group can provide to its customers. Sustained supplier cost price increases as a result of rising raw material costs, labour costs and transport costs would place pressure on margins.

The Group manages its exposure by working closely with its suppliers and third parties to ensure it can offer the best value to its customers. The Group monitors the stability of its supply base closely and works with suppliers and third parties to identify any issues on a timely basis.

Supply Chain - operational issues within the supply chain would impact the service that the Group can provide to its customers.

The Group manages its exposure by having an experienced management team, monitoring performance of all aspects of the supply chain and working in line with industry best practice.

Liquidity Risk - any impact on available cash and liquidity could have a material effect on the business and its result.

The Group actively maintains a mixture of long-term and short-term debt finance, which is designed to ensure that the Group has access to sufficient available funds for ongoing working capital needs as well as planned capital investment and expansion. The amount of debt finance required is monitored and reviewed at least annually by the board of directors.

Matalan has a number of significant debt facilities maturing in the next 12 months. Further details regarding the planned refinancing of these maturing facilities are included in note 2.3.

Foreign Exchange Risk - The Group is exposed to risk of fluctuating foreign exchange rates as a result of its overseas purchases. The principal currency with which this exposure lies is US dollar.

The exchange rates between the US dollar and other world currencies have fluctuated significantly in recent years and may continue to do so in the future.

The Group uses forward foreign exchange contracts in order to manage its exposure to foreign exchange risk and wherever possible these are hedge accounted under IAS 39. The Group has a treasury policy in place which limits how much can be purchased on a rolling 30-month basis. In accordance with this policy, the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Interest Rate Risk - fluctuating interest rates could have an impact on cash flows and profit.

The Group has long-term interest-bearing debt liabilities which are subject to fixed rates of interest. This fixed rate debt structure has significantly lowered interest rate risk faced by the Group.

Commodity Risk - As the Group's principal activity is the purchase and sale of clothes, it is exposed to a cost base which is heavily influenced by the market price of cotton.

The Group monitors trends in the cotton market to manage this risk and, by agreeing purchase contracts with suppliers six to nine months in advance, provides a degree of advance knowledge of the cost base.

Brexit – As in previous years, the impact of Brexit on the Matalan Group is limited.

Over 97% of group revenue is generated in the UK with most of our International sales realised in countries outside of the EU. The vast majority of our supply base are located in non-EU Countries, with whom the trading terms and tariffs are substantively unchanged as a result of Brexit.

Key Performance Indicators

The directors consider pre-IFRS 16 EBITDA before exceptional items to be the main financial KPI for the business. Pre-IFRS 16 EBITDA before exceptional items is a profit of £100.3m (2021: £21.5m loss), see note 8 to the financial statements for a reconciliation to the statutory results.

By order of the board

S Hill
Director
26 May 2022

DIRECTORS' REPORT

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

Directors
The Company's directors who served during the period up to the date of signing the financial statements are noted on page 1.

Principal activities
The principal activities of the Group are the sale of clothing and homewares through out-of-town retail outlets, primarily through the Matalan fascia, and online. The group also operates a franchise model, with several international stores based throughout Europe and the Middle East.

Directors' indemnities
During the period and up to the date of signing the financial statements, the Company maintained third-party indemnity insurance for its directors and officers as defined by Section 157 of the Companies (Guernsey) Law, 2008.

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

Employees
Information on matters of concern to employees is given through information bulletins and reports. Monthly meetings are held with head office employees which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group is proud of its diverse workforce and we are committed to ensuring that all employees are treated fairly, both in terms of pay and the opportunities available to them regardless of disability or gender.

Our policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Political donations
During the period the Group made political donations of £nil (2021: £nil).

Dividends
No dividend has been paid by the Company in the period (2021: £nil).

Creditor payment policy
UK suppliers are paid at the end of the month following invoice or to the specific terms agreed with the supplier. Foreign suppliers are paid within an agreed number of days from either shipment date or document date.

It is the Group's policy to ensure the suppliers are aware of the Company's terms of payment and that terms of payment are agreed at the commencement of business with each supplier. Payments are made in accordance with the payment terms and conditions agreed. Trade creditor days at 26 February 2022 were 69 days (2021: 94 days) based on average daily purchases.

DIRECTORS' REPORT (CONTINUED)

Corporate governance statement

The Group has not elected to voluntarily adopt the corporate governance code, however the directors are satisfied that the Group's internal policies and procedures provide a strong governance and control environment which allow the Group to mitigate risk and achieve its objectives. Furthermore, the Group provides detailed quarterly information to its investors and participates in an investor update call of the same frequency, where investors are able to pose questions of governance as they see fit.

The management functions are responsible for preparing the consolidated financial statements for Missouri Topco Limited and the internal audit and risk management functions are carried out by respective management teams with appropriate oversight from the board of directors.

The Group has a risk management framework, which includes a process for how we identify, evaluate, manage and monitor the principal risks faced by the Company, supported by a risk governance structure with defined accountability. The principal risks and uncertainties facing Missouri Topco Limited and its subsidiary undertakings are explained on pages 8-9. These risks are monitored by management and the board of directors on a regular basis.

Disclosure of information to the auditor

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

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

Independent auditor

In accordance with Companies (Guernsey) Law 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

S Hill
Director
26 May 2022

MISSOURI TOPCO LIMITED

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the UK and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss of the Group and the parent Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MISSOURI TOPCO LIMITED

Opinion
We have audited the Group and parent Company financial statements of Missouri Topco Limited ("the Company") for the 52 week period ended 26 February 2022 which comprise the Group and parent Company Income Statements, the Group and parent Company Statement of Comprehensive Income, the Group and parent Company Statements of Financial Position, the Group and parent Company Statements of Cash Flows, the Group and parent Company Statements of Changes in Shareholders' Equity and the related notes, including the accounting policies in note 2.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 26 February 2022 and of the Group's loss and the parent Company's result for the 52 week period then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the UK; and
- comply with the Companies (Guernsey) Law, 2008.

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

Material uncertainty relating to going concern
We draw attention to note 2.3 to the financial statements which indicates that the ability of the Group and parent Company to continue as a going concern is dependent upon a successful refinancing of existing Secured loan note facilities before their maturity in January 2023. These events and conditions, along with the other matters explained in note 2.3, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in this respect.

Going concern
The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

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

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

As required by auditing standards, and taking into account possible pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited opportunity to commit fraud.

We identified a further fraud risk over the valuation of the inventory provision and the risk that Group and component management may be in a position to make inappropriate accounting entries to this balance.

We also performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures;
- identifying specific inventory provision journal entries and other adjustments to inventory provision to test based on risk criteria and comparing any identified entries to supporting documentation; and evaluating the business purpose of significant unusual transactions.

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

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

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

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

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

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

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

Other information

The directors are responsible for the other information presented in the Directors' report and financial statements together with the financial statements. The other information comprises the Directors' and advisors, the Strategic report, the Directors' report and the Statement of directors' responsibilities. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MISSOURI TOPCO LIMITED (CONTINUED)

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the other information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- the parent Company has not kept proper accounting records; or
- the parent Company financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 13, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG LLP

KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

26 May 2022

INCOME STATEMENT

	Note	Group		Company	
		52 weeks ended 26 February 2022 £'m	52 weeks ended 27 February 2021 £'m	**52 weeks ended 26 February 2022 £'m**	52 weeks ended 27 February 2021 £'m
Revenue	4	**1,027.1**	744.1	**-**	-
Cost of sales	4	**(877.4)**	(713.6)	**-**	-
Gross profit	4	**149.7**	30.5	**-**	-
Administrative expenses (including exceptional items)	4	**(60.0)**	(69.8)	**-**	-
Operating profit/ (loss) (including exceptional items)	4	**89.7**	(39.3)	**-**	-
Operating profit/ (loss) (pre-exceptional items)		**92.2**	(27.6)	**-**	-
Exceptional items - administrative expenses	30	**(2.5)**	(11.7)	**-**	-
Operating profit/ (loss)		**89.7**	(39.3)	**-**	-
Finance costs	5	**(97.0)**	(95.9)	**-**	-
Finance income	5	**-**	4.9	**-**	-
Exceptional items – finance costs	30	**(0.4)**	(1.2)	**-**	-
Net finance costs		**(97.4)**	(92.2)	**-**	-
Loss before income tax and exceptional items	9	**(4.8)**	(118.6)	**-**	-
Total exceptional items		**(2.9)**	(12.9)	**-**	-
Loss before income tax		**(7.7)**	(131.5)	**-**	-
Income tax credit	10	**5.6**	15.8	**-**	-
Loss for the period		**(2.1)**	(115.7)	**-**	-

STATEMENT OF COMPREHENSIVE INCOME

	Group	
	52 weeks ended 26 February 2022 £'m	52 weeks ended 27 February 2021 £'m
Loss for the period	**(2.1)**	(115.7)
Other comprehensive (expenditure)/ income:		
Items that are or may be reclassified subsequently to profit or loss		
Cash flow hedges		
Fair value gain/ (loss) in the period	**20.6**	(32.1)
Tax element of cash flow hedges	**(2.9)**	4.1
Other comprehensive income/ (expenditure) for the period, net of tax	**17.7**	(28.0)
Total comprehensive income/ (expenditure) for the period	**15.6**	(143.7)
Hedging gains and losses transferred to inventory	**(5.2)**	9.0

The Company has no other comprehensive income in the current or prior period.

MISSOURI TOPCO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 26 FEBRUARY 2022

		Group		Company	
		2022	2021	**2022**	2021
		£'m	£'m	**£'m**	£'m
Assets					
Property, plant and equipment	11	**170.1**	179.5	**-**	-
Right-of-use assets	24	**373.8**	417.8	**-**	-
Intangible assets	12	**42.4**	49.8	**-**	-
Investments	13	**-**	-	**459.4**	459.0
Deferred tax asset	10	**17.6**	15.0	**-**	-
Trade and other receivables	15	**-**	-	**30.1**	30.1
Financial assets - derivative financial instruments	19	**0.1**	-	**-**	-
Total non-current assets		**604.0**	662.1	**489.5**	489.1
Inventories - goods for resale	14	**125.1**	131.8	**-**	-
Trade and other receivables	15	**30.8**	20.5	**-**	-
Financial assets - derivative financial instruments	19	**7.8**	-	**-**	-
Current tax asset		**0.3**	0.3	**-**	-
Cash and cash equivalents	16	**125.1**	110.0	**-**	-
Total current assets		**289.1**	262.6	**-**	-
Total assets		**893.1**	924.7	**489.5**	489.1
Liabilities					
Overdraft	16	**(17.1)**	(17.1)	**-**	-
Financial liabilities – borrowings	17	**(391.4)**	-	**-**	-
Financial liabilities – derivative financial instruments	19	**(0.1)**	(25.9)	**-**	-
Short-term lease liabilities	24	**(110.7)**	(84.6)	**-**	-
Trade and other payables	18	**(171.1)**	(163.0)	**(0.3)**	(0.3)
Provisions for other liabilities and charges	20	**(0.7)**	(0.5)	**-**	-
Total current liabilities		**(691.1)**	(291.1)	**(0.3)**	(0.3)
Financial liabilities – borrowings	17	**(156.8)**	(526.5)	**-**	-
Long-term lease liabilities	24	**(374.8)**	(446.2)	**-**	-
Financial liabilities – derivative financial instruments	19	**-**	(0.8)	**-**	-
Provisions for other liabilities and charges	20	**(0.9)**	(1.4)	**-**	-
Total non-current liabilities		**(532.5)**	(974.9)	**-**	-
Total liabilities		**(1,223.6)**	(1,266.0)	**(0.3)**	(0.3)
Net (liabilities)/ assets		**(330.5)**	(341.3)	**489.2**	488.8
Shareholders' (deficit)/ equity					
Share capital	21	**17.3**	17.3	**17.3**	17.3
Share premium		**385.6**	385.6	**385.6**	385.6
Hedge reserve		**5.5**	(7.0)	**-**	-
Merger reserve		**(770.1)**	(770.1)	**-**	-
Warrant reserve		**-**	-	**-**	-
Capital redemption reserve		**4.6**	4.6	**4.6**	4.6
Retained earnings		**26.6**	28.3	**81.7**	81.3
Total shareholders' (deficit)/ equity		**(330.5)**	(341.3)	**489.2**	488.8

The financial statements on pages 17 to 65 were approved by the Board of Directors on 26 May 2022 and signed on its behalf by:

S Johnson

Director

S Hill

Director

Missouri Topco Limited | Registered number: 00045618

STATEMENT OF CASH FLOWS

	Note	Group 2022 £'m	Group 2021 £'m
Cash flows from operating activities			
Cash generated from operations	22	**184.2**	80.8
Interest paid		**(75.2)**	(76.2)
Tax paid		**-**	-
Net cash generated from operating activities		**109.0**	4.6
Cash flows from investing activities			
Purchases of property, plant and equipment		**(14.1)**	(15.8)
Purchases of intangible assets		**(8.4)**	(9.5)
Interest received		**-**	0.5
Proceeds from sale of building	29	**-**	25.0
Proceeds from sale of forward contracts	25	**-**	18.3
Net cash (used in)/ generated from investing activities		**(22.5)**	18.5
Cash flows from financing activities			
Repayment of lease liabilities		**(71.1)**	(20.7)
Exceptional finance costs		**(0.4)**	(1.2)
Loan issued		**-**	25.0
Bonds issued		**-**	27.7
Issue costs		**0.1**	(13.9)
Repayment of loan		**-**	(8.3)
Net cash (used in)/ generated from financing activities		**(71.4)**	8.6
Net increase in cash and cash equivalents		**15.1**	31.7
Cash and cash equivalents at the beginning of the period		**92.9**	61.2
Net cash and cash equivalents at the end of the period	16	**108.0**	92.9

The Company had no cash flows in 2022 (2021: none).

MISSOURI TOPCO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group	Share capital £'m	Share premium £'m	Merger reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Retained earnings £'m	Total equity £'m
As at 1 March 2020	17.3	385.6	(774.3)	12.0	5.7	3.1	143.6	(207.0)
Comprehensive expenditure								
Loss for the period	-	-	-	-	-	-	(115.7)	(115.7)
Total loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	(115.7)	(115.7)
Other comprehensive expenditure								
Cash flow hedges								
- fair value loss in the period	-	-	-	(32.1)	-	-	-	**(32.1)**
- tax element of cash flow hedges	-	-	-	4.1	-	-	-	**4.1**
Total cash flow hedges, net of tax	-	-	-	(28.0)	-	-	-	**(28.0)**
Total other comprehensive expenditure, net of tax	**-**	**-**	**-**	**(28.0)**	**-**	**-**	**-**	**(28.0)**
Hedging gains and losses transferred to the cost of inventory	**-**	**-**	**-**	**9.0**	**-**	**-**	**-**	**9.0**
Reserves reclassification	-	-	4.2	-	(1.1)	(3.1)	-	-
Transactions with owners								
Fair value credit for subscription for 'B' shares	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	0.4	0.4
As at 27 February 2021	**17.3**	**385.6**	**(770.1)**	**(7.0)**	**4.6**	**-**	**28.3**	**(341.3)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Group	Share capital £'m	Share premium £'m	Merger reserve £'m	Hedge reserve £'m	Capital redemption reserve £'m	Warrant reserve £'m	Retained earnings £'m	Total equity £'m
As at 28 February 2021	**17.3**	**385.6**	**(770.1)**	**(7.0)**	**4.6**	**-**	**28.3**	**(341.3)**
Comprehensive expenditure								
Loss for the period	-	-	-	-	-	-	(2.1)	(2.1)
Total loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	(2.1)	(2.1)
Other comprehensive expenditure								
Cash flow hedges								
- fair value gain in the period	-	-	-	20.6	-	-	-	**20.6**
- tax element of cash flow hedges	-	-	-	(2.9)	-	-	-	**(2.9)**
Total cash flow hedges, net of tax	**-**	**-**	**-**	**17.7**	**-**	**-**	**-**	**17.7**
Total other comprehensive income, net of tax	**-**	**-**	**-**	**17.7**	**-**	**-**	**-**	**17.7**
Hedging gains and losses transferred to the cost of inventory	-	-	-	**(5.2)**	-	-	-	**(5.2)**
Transactions with owners								
Fair value charge for subscription for 'B' shares	-	-	-	-	-	-	0.4	**0.4**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**
As at 26 February 2022	**17.3**	**385.6**	**(770.1)**	**5.5**	**4.6**	**-**	**26.6**	**(330.5)**

MISSOURI TOPCO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Company	**Share capital**	**Share premium**	**Capital redemption reserve**	**Retained earnings**	**Total equity**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
As at 1 March 2020	**17.3**	**385.6**	**4.6**	**80.9**	**488.4**
Comprehensive income					
Profit for the period	-	-	-	-	**-**
Total comprehensive income	-	-	-	-	**-**
Transactions with owners					
Fair value charge to group undertakings for subscription for 'B' shares	-	-	-	0.4	**0.4**
Total transactions with owners	-	-	-	0.4	0.4
As at 27 February 2021	**17.3**	**385.6**	**4.6**	**81.3**	**488.8**
As at 28 February 2021	**17.3**	**385.6**	**4.6**	**81.3**	**488.8**
Comprehensive income					
Profit for the period	-	-	-	-	**-**
Total comprehensive income	-	-	-	-	**-**
Transactions with owners					
Fair value charge to group undertakings for subscription for 'B' shares	-	-	-	0.4	**0.4**
Total transactions with owners	-	-	-	0.4	0.4
As at 26 February 2022	**17.3**	**385.6**	**4.6**	**81.7**	**489.2**

1. General information

The Company is incorporated and domiciled in Guernsey. All subsidiary companies are incorporated and domiciled in the UK. The Company is limited by shares. The financial statements are presented in sterling, which is the Group's presentational currency and the parent Company's functional currency. All amounts presented in the financial statements have been rounded to the nearest £0.1m, unless otherwise stated. The Group's principal place of business is Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent Company financial statements present information about the Company as a separate entity and not about its group. These Group and Company consolidated financial statements have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards ("adopted IFRSs"). The financial statements have been prepared on the going concern basis under the historical cost basis convention as modified by financial assets and financial liabilities (including derivative instruments) which are recognised at fair value through the income statement. The consolidated financial statements for the year ended 27 February 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.2 New standards, amendments to standards or interpretations

The Group has adopted the following IFRSs in these financial statements:
• Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform has been adopted from 1 March 2020. This has been applied retrospectively to hedging relationships that existed at 1 March 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to any gain or loss accumulated in the cash flow hedging reserve that existed at 1 March 2020. The details of the accounting policies are disclosed in note 2.17. See also note 3 for related disclosures about risks and hedge accounting.

• Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
• Reference to the Conceptual Framework (Amendments to IFRS 3)
• Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
• Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
• Annual Improvements to IFRS Standards 2018–2020

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

The Group continues to monitor the potential impact of other new standards and interpretations which have been or may be endorsed and require adoption by the Group in future reporting periods.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

2. Summary of significant accounting policies (continued)

2.3 Going concern

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

As a result, as at 26 February 2022, the Group had strong liquidity including cash and cash equivalents per the balance sheet, net of overdraft, of £108.0m and unutilised RCF headroom of £8.2m.

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

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

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

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

The directors have assessed the Group cashflow forecasts in order to inform the board's conclusions as to the ability of the Group to have sufficient headroom to meet its liabilities as they fall due, and to allow it to operate as a going concern over a period of 12 months from the approval of the financial statements. In response to these factors noted above, the Group has also considered a severe but plausible downside that business performance is significantly weaker than planned. Having done this assessment, the board has concluded that, subject to the successful debt refinancing outlined below, the Group has the liquidity it requires and will continue to have sufficient headroom to meet its liabilities in full over the next 12 months from the date of approval of these consolidated financial statements.

The Group has a number of significant facilities maturing from July 2022 onwards, with both the 1.5 Lien Secured Notes of £27.7m and CLBILS of £16.7m maturing in July 2022, the First Lien Secured Notes of £350.0m maturing in January 2023, the Second Lien Secured Notes of £80.0m maturing in January 2024, and the Shareholder Notes of £50.0m maturing in July 2024.

Whilst the Group has sufficient cash reserves to repay all of its facilities due to mature in July 2022, if it is required to do so, the quantum of the First Lien Secured Notes maturing in January 2023 means that a refinancing of the Group's debt structure will be required prior to that date.

The Board believe that, based on Group forecasts and at its projected level of performance, the Group will be able to refinance these maturing debts successfully and indeed discussions with the Group's banks and advisors in relation to the refinancing are at an advanced stage. With respect to financing the repayment of the Secured Notes the Group's current intention is to refinance these notes prior to the First Lien maturing in January 2023. Work is ongoing in the preparation of this refinancing although it will be dependent on market conditions during this period. The Directors believe it will be possible to complete the refinance within the required timescale.

2. Summary of accounting policies and new standards (continued)

2.3 Going concern (continued)

However, given the ability to successfully refinance our debts involves geo-political, economic and market factors outside the direct control of the business, this constitutes a material uncertainty that may cast significant doubt on the Group's and parent Company's ability to continue as a going concern, and to realise their assets and discharge their liabilities in the normal course of business.

Taking all of the above matters into account, the directors have concluded that it remains appropriate to adopt the going concern basis in the preparation of these Group and parent Company financial statements. The Group and parent Company financial statements therefore do not include any adjustments that would result from the basis of preparation being inappropriate.

2.4 Critical accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements, estimates and assumptions are based on historical experience and management's best knowledge at the time. Actual results may differ from these estimates.

Critical accounting estimates relate to the following:

(a) Carrying value of inventories

Inventories include provisions for obsolescence, markdowns and shrinkage based on historical experience and management estimates of future events. Provisions are made from those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values and disposal channels, and is consequently a source of estimation uncertainty.

Details regarding the level of write-offs and provisions recognised against inventory during both the current and prior year are disclosed in note 14 and reflect the material nature of these amounts.

Whilst the level of provision inherently involves a level of management judgement, the impact on profit or loss of a 10% increase or decrease in the year-end inventory provision position, which management believe to be a reasonable reflection of possible outcomes, would be a maximum increase/(decrease) of £0.5m.

2.5 Basis of consolidation

Missouri Topco Limited, the ultimate parent Company of Matalan Group Limited, is 100% owned by the Hargreaves family. A group reconstruction, which took place in 2007, was accounted for using merger accounting principles as the controlling interests of the Company has remained unchanged.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.
The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2. Summary of accounting policies and new standards (continued)

2.5 Basis of consolidation (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

2.6 Revenue

Revenue, which excludes value added tax and trade discounts, represents the value of goods sold through retail shops, online and to international franchisees. The goods sold comprise of clothing and homewares.

Retail revenue, which is net of returns, is recognised in the financial statements when control of the goods sold are transferred to the customer at the point of sale. Sale of goods online are recognised when goods are despatched, and title has passed.

Dropship revenue is recognised when goods are despatched and the title has passed.

Matalan has a small number of concession partners. For the sale of concession goods Matalan acts as the agent where commission revenue is recognised based on the sale of the concessionary goods.

International revenue is recognised on an ex works basis, in line with our franchise contracts.

For the parent Company, as an investment holding company, dividend income is presented in revenue.

2.7 Finance income and expenditure

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

2.8 Intangible assets

(a) Computer software

Software and associated costs are capitalised as intangible assets where it is not an integral part of the related hardware at purchase cost and amortised over its estimated useful life which is generally 3 to 10 years. Amortisation is charged to cost of sales or administrative expenses depending on the nature and purpose of the asset.

During the period, we reassessed the remaining estimated useful life of a number of computer software assets to reflect the planned online platform migration to the THG Ingenuity platform, resulting in acceleration in the rate of amortisation of the impacted assets.

(b) Brands

Purchased brands are capitalised at historical cost as intangible assets and amortised over its estimated useful life which is generally 5 years.

2. Summary of accounting policies and new standards (continued)

2.9 Impairment of non-financial assets

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

Management consider there to be two cash generating units. The first cash generating unit incorporates the online channel and all of the physical retail stores, with the exception of Oxford Street, on the basis that they share a single primary trading purpose, namely the omnichannel retail of fashion and homeware. The Oxford Street store is treated as a second, separate cash generating unit, on the basis its key primary function is as a brand flagship for the Group. In the prior financial year, the Oxford Street store was impaired due to the decline in the brand value of Oxford Street itself, and its reputation as a retail destination. See note 30 for details of impairment.

2.10 Property, plant and equipment

Items of property, plant and equipment are stated at purchase cost or deemed purchase cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful economic lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Alterations to leasehold premises	shorter of remaining life and 25 years
Fixtures, fittings and IT hardware	3 – 10 years
Motor vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised net in the income statement.

Depreciation of property, plant and equipment is charged to cost of sales and administrative expenses in the income statement.

2.11 Assets under construction

Assets that are not yet in use are classified as 'assets under construction'. When the related asset is brought into use the asset will be transferred out of this classification and depreciation or amortisation will commence based on the estimated useful life as defined by the accounting policies specified above.

2. Summary of accounting policies and new standards (continued)

2.12 Investments
Investments in subsidiaries are stated at cost, where cost is the aggregate nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

The net book value of investments in subsidiaries is increased by the fair value of employee services for those employees of those subsidiaries receiving share-based payments granted by this company, in accordance with IFRS 2 "Share based payments" with a corresponding credit to equity.

2.13 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on purchase cost on a first in, first out basis and includes appropriate overheads and direct expenditure incurred in the normal course of business in bringing them to their present location and condition. Net realisable value is the price at which inventories can be sold in the normal course of business after deducting costs of realisation. Provisions are made as appropriate for obsolescence, markdown and shrinkage. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to the purchase of goods for resale. Inventories of goods purchased from overseas are recognised at the point that control passes.

2.14 Foreign currency transactions
Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Foreign exchange differences arising on translation are dealt with in the income statement except when deferred in equity as qualifying cash flow hedges.

2.15 Current income tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.16 Deferred income tax
Deferred income tax is provided in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases of assets and liabilities. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date and that are expected to apply when the related deferred tax liability is settled or asset is realised.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred income tax is charged or credited to the income statement when the liability is settled, or the asset is realised. Deferred income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

2. Summary of accounting policies and new standards (continued)

2.17 Derivative financial instruments

The Group uses forward foreign currency contracts to manage its exposure to fluctuating interest and foreign exchange rates. In accordance with its Treasury policy, the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

These derivative financial instruments are initially recognised and measured at fair value on the date the contracts are entered into and subsequently re-measured at their fair value at the balance sheet date. The fair value is calculated using mathematical models and is based upon the duration of the derivative instrument together with quoted market data including foreign exchange rates at the balance sheet date.

The method of recognising the resulting gain or loss is dependent upon whether the derivative is designated as an effective hedging instrument and the nature of the item being hedged. The Group accounts for those derivative financial instruments used to manage its exposure to foreign exchange risk on highly probable foreign currency stock purchases as cashflow hedges under IFRS 9.

At inception of a contract the Group documents the relationship between the hedging instrument and the hedged item as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment of the effectiveness at inception and on an ongoing basis to ensure that the instrument remains an effective hedge of the transaction.

The effective portion of the changes in fair value of cashflow hedges is recognised in equity. On completion of the forecast purchase transaction, the effective part of any gain or loss previously deferred in equity is recognised as part of the carrying amount of the underlying non-financial asset. The effective gain or loss is recognised in cost of sales in the income statement in the same period during which the underlying asset affects the income statement.

If the hedge transaction is no longer expected to take place, then the cumulative unrealised gain or loss is recognised immediately in the income statement. The gain or loss relating to the ineffective portion of all hedges is recognised immediately in the income statement. Cumulative gains or losses remain in equity and are then recognised when transactions are ultimately recognised in the income statement.

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

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.19 Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable issue costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The fair values of trade and other receivables, loans and overdrafts and trade and other payables with a maturity of less than one year are assumed to approximate to their book values. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.20 Dividends

Final dividends payable to the Group's shareholders are recognised in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders. Interim dividends payable are recognised in the period in which the dividends are paid.

2. Summary of significant accounting policies (continued)

2.21 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to the termination of the employment of current employees according to a detailed formal plan without possibility of withdrawal. These benefits are disclosed in the financial statements where material.

2.22 Exceptional items

Items that are material in size and/or non-recurring in nature are presented as exceptional items in the income statement. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, gains or losses on the disposal or impairment of assets and other significant non-recurring gains or losses.

2.23 Warrants

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

2.24 Share capital policy

Ordinary shares are classified as equity.

2.25 Share based payments

At the date of acquisition Missouri Topco Limited, the Group's ultimate parent, entered into agreements with selected individuals which enabled them to subscribe for 300,000 of the B shares in that company. These agreements were considered to be within the scope of IFRS 2 "Share Based Payments".

The agreements provide that B shareholders would participate in the increase in fair value of the Group from the date of merger with Matalan plc and until either a specified exit event or liquidation occurs. The agreements were treated as a share based payment transaction in accordance with IFRS 2. The fair value of the subscription agreement was valued at the date of the agreement using a Black Scholes model and spread across the expected term of the agreement, reviewed at each balance sheet date. The resulting charge or credit is accounted for as an employee expense or income with a corresponding increase or decrease in equity.

2.26 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss.

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables with significant financing component are measured using the general model described above.

2. Summary of significant accounting policies (continued)

2.26 Trade and other receivables (continued)

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

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

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

2. Summary of significant accounting policies (continued)

2.27 Trade and other payables

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

2.28 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.29 Government Grants

Government grants are initially recognised as accrued income at fair value if there is reasonable assurance that they will be received, and the Group has complied with the conditions associated with the grant. Grants that compensate the Group for expenses or losses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses or losses are recognised.

Government grants relating to the Coronavirus Job Retention Scheme, are included within accruals in the balance sheet and credited to the profit and loss account on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. The Group has elected to present grants related to expenses as a reduction to the related expense line.

2.30 Right-of-use assets

The right-of-use asset is measured at cost, comprising the initial measurement of the lease liability and any lease payments made in advance of the lease commencement date (net of incentives received). The right-of-use asset is subsequently depreciated and impaired (as determined by IAS 36) where indicators of impairment exist, adjusted for certain remeasurements of the lease liability. Depreciation is applied on a straight-line basis from the lease commencement date until the end of the lease term or the end of the useful life of the underlying asset, whichever is earliest.

2.31 Lease liabilities

The lease liability is initially recognised at the present value of the lease payments unpaid at that date, discounted using the rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The discount rate applied ranges between 7.49% and 11.31% dependent on the length and location of the lease. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments (including in substance fixed) less any lease incentives;
- Variable payments based on an index or rate;
- Amounts expected to be paid under a residual value guarantee;
- Payments arising from options reasonably certain to be exercised; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

2. Summary of significant accounting policies (continued)

2.31 Lease liabilities (continued)

The lease liability is subsequently measured at amortised cost using the effective interest method and reduced by lease payments that are allocated between repayments of principal and finance costs. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

2.32 Pension scheme

The Group operates a defined contribution pension scheme for its employees. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

Group policy requires all group companies to manage their foreign exchange risk against their functional currency. The functional currency of all group companies is sterling. The group companies are required to substantially hedge their foreign exchange risk exposure with group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group hedges future seasons' purchases denominated in US dollars. The Group treasury's risk management policy is to hedge forecast purchases up to two and a half years in advance of anticipated cash flows in respect of the purchase of inventory. 100% (2021: 100%) of projected purchases in US dollars qualify as 'highly probable' forecast transactions for hedge accounting purposes.

At 26 February 2022, if sterling had strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been £2.9m (2021: £3.6m) higher, mainly as a result of foreign exchange gains on translation of US dollar trade payable amounts compensated by foreign exchange losses on translation of US dollar denominated cash and trade receivable US dollar amounts.

At 26 February 2022, if sterling had weakened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been £3.6m (2021: £4.4m) lower, mainly as a result of foreign exchange losses on translation of US dollar trade payable amounts compensated by foreign exchange gains on translation of US dollar denominated cash and trade receivable US dollar amounts.

*(*ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The effective rate of interest applicable to the Group's cash balances in the year is 0.00% (2021: 0.00%).

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's long-term borrowings are all fixed rate instruments which significantly reduces the Group's exposure to interest rate risk.

The impact on profit or loss of a 10 basis-point shift in LIBOR with all other variables held constant would be a maximum increase/decrease of £nil (2021: £nil). During 2022 and 2021, the Group's borrowings at fixed rates were denominated in sterling.

3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Financial risk management
Following allegations of manipulation of LIBOR, a different measure of inter bank lending rates, regulators and law enforcement agencies from a number of governments and the EU are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016.

Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the United Kingdom Financial Conduct Authority (the "FCA") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on March 5, 2021, the FCA further announced the dates on which panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available (immediately after December 31, 2021, in the case of all GBP, EUR, Swiss franc and Japanese yen settings and the 1-week and 2-month USD settings, and immediately after June 30, 2023, in the case of all remaining USD settings).

Drawings under the Senior Credit Facilities will bear rates of interest linked to, among other benchmarks, LIBOR, and the Senior Facilities Agreement will include a rate replacement mechanism providing for the replacement of LIBOR with a risk free rate plus a credit adjustment spread (for example, compounded SONIA, in the case of GBP denominated drawings, and compounded SOFR, in the case of USD denominated drawings). This was signed for our revolving credit facility in December 2021.

Any variation in performance between SONIA and LIBOR would not have a material impact on the financial statements.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Banks and financial institutions are approved by the Board on a case by case basis, taking into account credit rating and investment criteria.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Management monitors the utilisation of credit limits regularly.

Sales to retail customers are settled in cash or using major credit cards (it is company policy not to accept cheques).

3. Financial risk management (continued)

(b) Credit risk (continued)

The Group's cash and cash equivalents are all held with established high street banks. A summary of the Group's exposure to credit risk for cash and cash equivalents by credit risk rating is presented below:

Credit risk rating	Credit impaired	Not credit-impaired	Impairment
	£'m	£'m	£'m
BBB+	-	120.0	-
BBB	-	5.1	-

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by counterparties. The main counterparties dealt with in the period include Lloyds Bank plc and Barclays Bank plc.

The ageing of receivables has not been disclosed as receivables are not deemed to be material to the Group.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, group treasury aims to maintain flexibility in funding by maintaining a range of credit lines of varying maturities.

Management monitors rolling forecasts of the Group's liquidity reserve comprising borrowing facilities (note 17) and cash and cash equivalents (note 16) on the basis of expected cash flow. This is generally carried out at a local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

The table below analyses the Group's financial liabilities before issue costs into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'m	**Between 1 and 2 years £'m**	**Between 2 and 5 years £'m**	**Over 5 years £'m**
At 27 February 2021				
Borrowings (before deduction of £11.6m issue costs) including interest payable	(29.6)	(449.4)	(166.0)	-
Derivative financial instruments	(25.9)	(0.8)	-	-
Trade and other payables	(163.0)	-	-	-
Lease liabilities	(108.5)	(103.2)	(274.5)	(264.8)
Provisions for liabilities and charges	(0.5)	(0.7)	(1.0)	-
	(327.5)	**(554.1)**	**(441.5)**	**(264.8)**

3. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 26 February 2022				
Borrowings (before deduction of £3.8m issue costs) including interest payable	(432.2)	(111.1)	(67.0)	-
Derivative financial instruments	(0.1)	-	-	-
Trade and other payables	(171.1)	-	-	-
Lease liabilities	(116.7)	(101.0)	(245.5)	(213.2)
Provisions for liabilities and charges	(0.7)	(0.6)	(0.3)	-
	(720.8)	**(212.7)**	**(312.8)**	**(213.2)**

The table below analyses the value of the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the contractual maturity date as at the balance sheet date. Inflows from gains and outflows from losses on these instruments are presented separately.

	Less than 1 year £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m
At 27 February 2021				
Cash flow hedges:				
Inflows	-	-	-	-
Outflows	(25.9)	(0.8)	-	-
	(25.9)	**(0.8)**	-	-
At 26 February 2022				
Cash flow hedges:				
Inflows	7.8	0.1	-	-
Outflows	(0.1)	-	-	-
	7.7	**0.1**	-	-

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by adjusted total capital.

3. Financial risk management (continued)

3.2 Capital risk management (continued)

Net debt is calculated as total borrowings (including overdraft) less cash and cash equivalents. Adjusted total capital is calculated as 'equity' as shown in the consolidated statement of financial position and excluding the merger reserve.

Group net debt

	Note	**2022 £'m**	2021 £'m
Total borrowings (net of issue costs)	17	**548.2**	526.5
Less: Net cash and cash equivalents	16	**(108.0)**	(92.9)
Net debt		**440.2**	433.6
Adjusted total capital		**439.5**	428.8
Gearing ratio		**100%**	101%

The gearing ratio excludes the creation of a merger reserve and the Group considers this a more appropriate measure to be used as it takes account of underlying assets and equity generated in the course of business. The Group was required to meet specific bank covenants including a minimum cash level and debt cover during the year. The Group has complied with bank covenants throughout the year.

3. Financial risk management (continued)

3.3 Fair value estimation

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices)
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

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

Financial assets	Fair value level 2		Carrying amount	
	2022 £'m	2021 £'m	**2022 £'m**	2021 £'m
Financial assets measured at amortised cost				
Cash and cash equivalents	**-**	**-**	**125.1**	110.0
Trade and other receivables	**-**	**-**	**14.7**	9.2
	-	**-**	**139.8**	119.2
Financial assets measured at fair value through profit or loss				
Cash flow hedges	**7.9**	**-**	**7.9**	-
	7.9	**-**	**7.9**	-

Financial liabilities	Fair value level 2		Carrying amount	
	2022 £'m	2021 £'m	**2022 £'m**	2021 £'m
Financial liabilities measured at amortised cost				
Overdraft	**-**	-	**(17.1)**	(17.1)
Trade and other payables	**-**	-	**(107.1)**	(103.0)
Other interest-bearing loans and borrowings	**-**	-	**(552.0)**	(538.1)
	-	-	**(676.2)**	(658.2)
Financial liabilities measured at fair value through profit or loss				
Cash flow hedges	**(0.1)**	(26.7)	**(0.1)**	(26.7)
	(0.1)	(26.7)	**(0.1)**	(26.7)

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

Derivative financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date by reference to contract rate and the market forward exchange rates at the balance sheet date (level 2 fair value estimation).

Trade and other payables and receivables

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

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand (such as term deposits), then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Long term and short term borrowings

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

4. Operating profit

	Group	
	2022	2021
	£'m	£'m
Revenue	**1,027.1**	744.1
Total revenue	**1,027.1**	744.1
Cost of goods sold	**(542.8)**	(431.4)
Selling expenses	**(282.5)**	(243.3)
Distribution expenses	**(52.1)**	(38.9)
Total cost of sales	**(877.4)**	(713.6)
Gross profit	**149.7**	30.5
Administrative expenses - pre exceptional items	**(57.5)**	(58.1)
Exceptional items - administrative expenses	**(2.5)**	(11.7)
Administrative expenses	**(60.0)**	(69.8)
Operating profit/ (loss)	**89.7**	(39.3)

Further details of exceptional items above are included in note 30.

5. Net finance costs

	Group	
	2022	2021
	£'m	£'m
Finance costs and similar charges:		
Interest payable on notes	**(43.0)**	(40.4)
Amortisation of finance costs:		
Notes costs	**(7.8)**	(5.9)
Other interest payable	**(1.3)**	(1.8)
Loss on ineffective forward contracts	**(0.2)**	-
IFRS 16 interest charge	**(44.7)**	(47.8)
Finance costs	**(97.0)**	(95.9)
Exceptional finance expense	**(0.4)**	(1.2)
Finance income:		
Gain on sale of forward contracts	**-**	4.4
Gain on ineffective forward contracts	**-**	0.5
Finance income	**-**	4.9
Net finance costs	**(97.4)**	(92.2)

6. Directors' emoluments

The remuneration paid or payable to the directors of Missouri Topco Limited, as part of their service contract with Matalan Retail Limited, was:

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

The directors accrued £nil (2021: £0.1m) in defined contribution pension schemes during the year. Under arrangements for selected individuals to subscribe for equity settled "B" shares, a debit has been made to the income statement of £0.4m (2021: £0.4m) in respect of directors within administrative expenses.

Amounts paid to the highest paid director:

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

7. Employee information

The average number of persons (including executive directors) employed during the period was:

	Group	
	2022 Number	2021 Number
By function		
Selling and distribution	**10,176**	10,864
Administration	**661**	694
	10,837	11,558

	2022 £'m	2021 £'m
Staff costs (for the above persons)		
Wages and salaries	**131.8**	108.7
Social security costs	**8.0**	6.9
Other pension costs	**1.9**	0.2
Share based compensation charge	**0.4**	0.4
Termination payments	**2.5**	2.0
	144.6	118.2

The Company does not have any employees (2021: none).

In relation to employee remuneration, the Company has netted £5.1m (2021: £28.8m) of government grant income from the Coronavirus Job Retention Scheme against the associated charge, of which £nil is accrued at the year-end (2021: £4.9m).

8. Segment reporting

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker. The Group adopts this policy and the chief operating decision-maker has been identified as the Board of Directors. The directors consider there to be one operating and reportable segment, being that of the sale of clothing and homewares through out of town retail outlets and online, primarily through the Matalan fascia, in the United Kingdom, and online.

Internal reports reviewed regularly by the Board provide information to allow the chief operating decision-maker to allocate resources and make decisions about the operations. The Group is an omnichannel retailer and as such the customer journey often involves more than one channel. The internal reporting focuses on the Group as a whole and does not identify individual segments.

The chief operating decision maker relies primarily on pre IFRS 16 EBITDA before exceptional items to assess the performance of the Group and make decisions about resources to be allocated to the segment. Pre IFRS 16 EBITDA before exceptional items for the period was £100.3m (2021: £(21.5)m). This can be reconciled to statutory operating profit/ (loss) as follows:

	Group	
	2022 (under IFRS 16) £'m	2021 (under IFRS 16) £'m
Operating profit/(loss)	**89.7**	(39.3)
Depreciation and amortisation	**105.6**	108.1
Exceptional items	**2.5**	11.7
EBITDA before exceptional items	**197.8**	80.5

Reconciliation to IAS 17 EBITDA pre-exceptionals

EBITDA pre exceptionals under IFRS 16	**197.8**	80.5
Increase in cost of sales	**(95.2)**	(101.7)
Increase in administrative expenses	**(2.3)**	(0.3)
EBITDA pre exceptionals under IAS 17	**100.3**	(21.5)

The Group utilises IAS 17 EBITDA due to the requirement of certain debt covenants. IAS 17 EBITDA is arrived at by taking IFRS 16 EBITDA and adding back IAS 17 operating lease charges.

The revenue analysis by geographic area for the 52 weeks ended 26 February 2022 is as follows:

	2022 £'m	**2021 £'m**
United Kingdom	997.5	721.1
Rest of the World	29.6	23.0

The performance of the Group is subject to seasonal peaks. The Group traditionally performs well during the late spring, early summer and over the Christmas season.

9. Loss before income tax

	Group	
	2022	2021
	£'m	£'m
Loss on ordinary activities before tax is stated after charging/ (crediting):		
Cost of inventories recognised as an expense (included in cost of sales)	**529.0**	445.1
Depreciation charge for the period on property, plant and equipment and right-of-use assets	**89.8**	97.2
Amortisation of intangible assets	**15.8**	10.9
Fair value charge for subscription for 'B' shares	**0.4**	0.4
Exceptional items (note 30)	**2.9**	12.9
Net foreign exchange losses/ (gains)	**13.8**	(13.7)
Fees payable to the Group's Auditor:		
for the audit of the parent Company and consolidated financial statements and subsidiary companies	**0.3**	0.3
for other non-audit services	**0.2**	-

The audit fee for the Company amounting to £20,000 (2021: £20,000) is borne by a fellow group company. The total group audit fee is £0.3m (2021: £0.3m). Amounts paid to the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed separately as the information is required instead to be disclosed on a consolidated basis.

10. Income tax expense

Analysis of expense

	Group	
	2022	2021
	£'m	£'m
Current income tax		
UK corporation tax – current year	**-**	(0.4)
UK corporation tax – prior year	**-**	-
	-	(0.4)
Deferred income tax		
Deferred income tax relating to the origination and reversal of temporary differences	**(0.8)**	(14.5)
Effect of change in income tax rates	**(4.2)**	0.2
Adjustment in respect of prior periods	**(0.6)**	(1.1)
	(5.6)	(15.4)
Total income tax credit	**(5.6)**	(15.8)

The Group income tax credit for the period is higher (2021: credit is lower) than the rate of corporation tax of 19.0% (2021: 19.0%). The rate of corporation tax is based on a weighted average rate. A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. On 24 May 2021 the increase in the corporation tax rate to 25% announced in the March 2021 Budget was substantively enacted (effective from 1 April 2023). This will increase the Company's future current tax charge accordingly. The deferred tax asset at 26 February 2022 has been calculated based on 25% (2021: 19%).

The differences are explained below:

	Group	
	2022	2021
	£'m	£'m
Loss for the period	**(2.1)**	(115.7)
Income tax credit	**(5.6)**	(15.8)
Loss on ordinary activities excluding income tax	**(7.7)**	(131.5)
Loss on ordinary activities multiplied by the rate of corporation tax of 19.0% (2021: 19.0%)	**(1.5)**	(25.0)
Effects of:		
Non-deductible expenses	**0.8**	1.9
Adjustments to income tax in respect of prior periods	**(0.6)**	(1.1)
Deferred income tax not recognised	**-**	8.2
Change in the rate of tax	**(4.3)**	0.2
Total income tax credit	**(5.6)**	(15.8)

10. Income tax expense (continued)

Deferred income tax

Deferred income tax is calculated in full on temporary differences on assets and liabilities using a tax rate of 25% except for financial derivatives where deferred tax has been calculated using a tax rate of 19% (2021: 19%).

The movement on the deferred income tax account is shown below:

	Group	
	2022	2021
	£'m	£'m
At the beginning of the period	**15.0**	(4.5)
Taken to equity:		
- hedge reserve	**(2.9)**	4.1
Taken to income statement:		
- prior year movement	**0.6**	1.1
- depreciation in advance of capital allowances	**0.4**	3.7
- temporary timing differences	**0.3**	10.8
- change in the rate of tax	**4.2**	(0.2)
At the end of the period	**17.6**	15.0

Deferred income tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	**2022**	2021	**2022**	2021
	£'m	£'m	**£'m**	£'m	**£'m**	£'m
Property, plant and equipment	**3.4**	2.4	**-**	-	**3.4**	2.4
Rolled over capital gain	**-**	-	**-**	-	**-**	-
Short-term temporary differences	**15.4**	10.9	**-**	-	**15.4**	10.9
Financial derivatives	**-**	1.7	**(1.2)**	-	**(1.2)**	1.7
Net deferred income tax assets/ (liabilities)	**18.8**	15.0	**(1.2)**	-	**17.6**	15.0

A deferred income tax asset of £3.8m (2021: £3.7m) in relation to losses has not been recognised on the basis that there is uncertainty regarding its future recoverability.

10. Income tax expense (continued)

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Financial derivatives £'m	Accelerated tax depreciation £m	Short term temporary differences £'m	Total £'m
At 29 February 2020	-	-	1.9	1.9
Credited to the income statement	-	2.4	9.0	11.4
Taken directly to equity	1.7	-	-	1.7
At 27 February 2021	1.7	2.4	10.9	15.0
At 28 February 2021	1.7	2.4	10.9	15.0
Credited to the income statement	-	1.0	4.5	5.5
Taken directly to equity	(1.7)	-	-	(1.7)
At 26 February 2022	-	3.4	15.4	18.8

The directors consider it probable that there will be sufficient taxable profits in the future such as to recognise the deferred income tax asset.

Deferred income tax liabilities

	Accelerated tax depreciation £'m	Rolled over capital gain £'m	Financial derivatives £'m	Total £'m
At 29 February 2020	(3.4)	(0.6)	(2.4)	(6.4)
Credited to the income statement	3.4	0.6	-	4.0
Taken directly to equity	-	-	2.4	2.4
At 27 February 2021	**-**	**-**	**-**	**-**
At 28 February 2021	-	-	-	-
Credited to the income statement	-	-	-	-
Taken directly to equity	-	-	(1.2)	(1.2)
At 26 February 2022	**-**	**-**	**(1.2)**	**(1.2)**

MISSOURI TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Property, plant and equipment

Group

	Alterations to leasehold premises £'m	Motor Vehicles £'m	Fixtures, fittings and IT hardware £'m	Assets under construction £'m	Total £'m
Cost					
At 1 March 2020	279.2	0.1	308.8	4.5	592.6
Additions	8.9	-	5.2	1.8	15.9
Disposals	(32.6)	-	-	-	(32.6)
Transfers	-	-	4.5	(4.5)	-
At 27 February 2021	255.5	0.1	318.5	1.8	575.9
At 28 February 2021	255.5	0.1	318.5	1.8	575.9
Additions	7.6	-	6.1	0.4	14.1
Transfers	1.8	-	-	(1.8)	-
At 26 February 2022	**264.9**	**0.1**	**324.6**	**0.4**	**590.0**
Accumulated depreciation					
At 1 March 2020	130.0	-	242.6	-	372.6
Charge for the period	13.1	-	13.7	-	26.8
Impairment	4.6	-	-	-	4.6
Disposals	(7.6)	-	-	-	(7.6)
At 27 February 2021	140.1	-	256.3	-	396.4
At 28 February 2021	140.1	-	256.3	-	396.4
Charge for the period	11.1	0.1	12.3	-	23.5
At 26 February 2022	**151.2**	**0.1**	**268.6**	**-**	**419.9**
Net book value					
At 26 February 2022	**113.7**	**-**	**56.0**	**0.4**	**170.1**
Net book value					
At 27 February 2021	115.4	0.1	62.2	1.8	179.5

Depreciation of property, plant and equipment is charged to cost of sales and administrative expenses in the income statement.

The Company has no property, plant and equipment.

12. Intangible assets

Group

	Brands £'m	Computer software and associated costs £'m	Assets under construction £'m	Goodwill £'m	Total £'m
Cost					
At 1 March 2020	4.7	148.8	10.0	0.9	164.4
Additions	-	9.7	0.5	-	10.2
Transfers	-	10.0	(10.0)	-	-
At 27 February 2021	**4.7**	**168.5**	**0.5**	**0.9**	**174.6**
At 28 February 2021	4.7	168.5	0.5	0.9	174.6
Additions	-	8.0	0.4	-	8.4
Transfers	-	0.5	(0.5)	-	-
At 26 February 2022	**4.7**	**177.0**	**0.4**	**0.9**	**183.0**
Aggregate amortisation					
At 1 March 2020	2.6	110.4	-	0.9	113.9
Charge for the period	0.6	10.3	-	-	10.9
At 27 February 2021	**3.2**	**120.7**	**-**	**0.9**	**124.8**
At 28 February 2021	3.2	120.7	-	0.9	124.8
Charge for the period	1.0	14.8	-	-	15.8
At 26 February 2022	**4.2**	**135.5**	**-**	**0.9**	**140.6**
Net book value					
At 26 February 2022	**0.5**	**41.5**	**0.4**	**-**	**42.4**
Net book value					
At 27 February 2021	1.5	47.8	0.5	-	49.8

Amortisation in respect of online platform development costs is charged to cost of sales in the income statement. Amortisation of all other intangible assets is charged to administrative expenses.

The Company has no intangible assets.

13. Investments

Company

	Investment in subsidiaries £'m
Cost and net book value	
At 29 February 2020	458.6
Fair value credit to group undertakings for subscription for 'B' shares	0.4
At 27 February 2021	**459.0**
At 28 February 2021	459.0
Fair value credit to group undertakings for subscription for 'B' shares	0.4
At 26 February 2022	**459.4**

A list of principal subsidiary undertakings is given in note 31.

An annual impairment review of the investment carrying value is undertaken each year. The review is based on the underlying net assets of the Group and Group forecasts, with the Group forecasts discounted based on the Group's Weighted Average Cost of Capital (WACC). Given the current economic conditions and related uncertainties, a long-term growth rate of 0% is used.

Based on this exercise, the directors believe that the book value of investments is supported by their underlying net assets and the future discounted cash flows of the trading subsidiaries of the investment, and no impairment is required. The investment is wholly owned and has a coterminous period end with the Company.

14. Inventories

	Group	
	2022 £'m	2021 £'m
Finished goods	**125.1**	131.8

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £529.0m (2021: £445.1m). During the period the Group has credited £5.5m (2021: charged £29.2m) to the income statement in relation to inventories written off and provided against.

The Company has no inventories.

15. Trade and other receivables – current

	Group	
	2022 £'m	2021 £'m
Trade receivables	**14.7**	9.2
Prepayments	**16.1**	11.3
	30.8	20.5

The Company is owed £30.1m by group undertakings at the period end (2021: £30.1m). This balance is held in non-current assets on the basis that there is currently no intention for the Company to seek the settlement of this balance in the next 12 months.

16. Cash and cash equivalents

	Group	
	2022	2021
	£'m	£'m
Cash at bank and in hand	**125.1**	110.0
Overdraft	**(17.1)**	(17.1)
Net cash and cash equivalents	**108.0**	92.9

The Company has no cash and cash equivalents.

The effective interest rate on short-term deposits entered into in the financial period was 0.00% (2021: 0.00%) and these deposits have an average maturity period of 1 day (2021: 1 day). All short-term deposits had matured at 26 February 2022 (2021: all). The Group's cash and cash equivalents are denominated in sterling, US dollars and Euros.

17. Financial liabilities – borrowings

	Group	
	2022	2021
	£'m	£'m
Current		
6.75% First Lien Secured Notes (net of £0.8m issue costs (2021: £1.7m)) maturity date 2023	**(349.2)**	-
16.5% 1.5 lien secured notes (net of £1.4m issue costs (2021: £5.5m)) maturity date 2022	**(26.3)**	-
CLBILS (net of £0.8m issue costs (2021: £3.2m)) maturity date 2022	**(15.9)**	-
	(391.4)	-
Non-current		
6.75% First Lien Secured Notes (net of £0.8m issue costs (2021: £1.7m)) maturity date 2023	**-**	(348.3)
9.5% Second Lien Secured Notes (net of £0.5m issue costs (2021: £0.8m)) maturity date 2024	**(79.5)**	(79.2)
9.5% Shareholder Notes (net of £0.3m issue costs (2021: £0.4m)) Maturity date 2024	**(49.7)**	(49.6)
16.5% 1.5 lien secured notes (net of £1.4m issue costs (2021: £5.5m)) maturity date 2022	**-**	(22.2)
CLBILS (net of £0.8m issue costs (2021: £3.2m)) maturity date 2022	**-**	(13.5)
Accrued PIK interest (2021: £13.7m)	**(27.6)**	(13.7)
	(156.8)	(526.5)

The Company has no borrowings.

17. Financial liabilities – borrowings (continued)

Borrowings are all denominated in sterling at 26 February 2022. Issue costs of £6.2m were incurred in relation to the First Lien Secured Notes and Second Lien Secured Notes and are being amortised over the terms of the facilities. A proportion of the Second Lien Secured Notes are held by shareholders of the Company.

In the 52 week period ended 27 February 2021 the Group issued £27.7m 1.5 lien secured notes and received £25m in CLBILS funding. Issue costs were incurred of £13.2m in relation to the 1.5 lien secured notes and CLBILS, and are being amortised over the terms of the facilities. In addition, during the 52 week period ended 27 February 2021 the Group subordinated £50.0m of the Second Lien unsecured notes, held by shareholders of the Company. In December 2020, £8.3m of the CLBILS funding was repaid following the sale of the Group's head office.

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

Maturity of borrowings

	Group	
	2022	2021
	£'m	£'m
Less than one year	**394.4**	-
One to five years	**157.6**	538.1
Five to ten years	**-**	-
	552.0	538.1
Unamortised issue costs	**(3.8)**	(11.6)
	548.2	526.5
Current	**391.4**	-
Non-current	**156.8**	526.5
	548.2	526.5

Borrowing facilities

At 26 February 2022 the table below reflects the usage of the RCF (revolving credit facility). These facilities are subject to an annual review and incur fees at market rates.

	Group	
	2022	2021
	£'m	£'m
Letters of credit	**7.5**	7.4
Guarantees	**0.5**	8.0
Overdraft	**17.1**	17.1
Unused	**8.2**	0.8
Subtotal	**33.3**	33.3
CLBILS	**16.7**	16.7
Total	**50.0**	50.0

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

18. Trade and other payables – current

	Group	
	2022	2021
	£'m	£'m
Trade payables	**(107.1)**	(103.0)
Other tax and social security payables	**(18.0)**	(20.8)
Other creditors	**(3.0)**	(0.1)
Accruals	**(42.7)**	(38.8)
Dividends payable	**(0.3)**	(0.3)
	(171.1)	(163.0)

The Company owes group undertakings of £0.3m at the period end (2021: £0.3m). Amounts owed to group undertakings are repayable on demand and therefore presented as current.

19. Derivative financial instruments

Group	**2022**		2021	
	Assets	**Liabilities**	Assets	Liabilities
	£'m	**£'m**	£'m	£'m
Forward foreign exchange contracts	**7.9**	**(0.1)**	-	(26.7)
Total	**7.9**	**(0.1)**	-	(26.7)
Less non-current portion:				
Forward foreign exchange contracts	**0.1**	**-**	-	(0.8)
Non-current portion	**0.1**	**-**	-	(0.8)
Current portion	**7.8**	**(0.1)**	-	(25.9)

The Company has no derivative financial instruments.

The amount that was recognised in the Statement of comprehensive income during the period net of tax was £12.5m (2021: £(19.0)m). The amount that was transferred from equity to profit and loss in the period was £nil (2021: £nil). The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to £(0.2)m (2021: £0.4m).

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 26 February 2022 was £381.7m (2021: £381.1m).

19. Derivative financial instruments (continued)

The total principal value of forward foreign exchange contracts is due to mature as follows:

	2022	2021
	£'m	£'m
Maturing within one year	**346.7**	337.3
Maturing between one to two years	**35.0**	43.8
	381.7	381.1

The net fair value of gains/ (losses) as at 26 February 2022 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £7.8m (2021: £(26.7)m). These are transferred at their current fair value as an inventory-based adjustment on receipt of the underlying inventory.

The fair value of open forward foreign exchange contracts is due to mature as follows:

Group	2022	2021
	£'m	£'m
Maturing within one year	**7.7**	(25.9)
Maturing between one to two years	**0.1**	(0.8)
Maturing between two and five years	**-**	-
	7.8	(26.7)

20. Provisions for other liabilities and charges

Group

	Onerous contracts	Total
	£m	£'m
At 28 February 2021	**(1.9)**	(1.9)
Charged in the year	**(0.2)**	(0.2)
Released in the year	**0.5**	0.5
At 26 February 2022	**(1.6)**	(1.6)

	2022	2021
	£'m	£'m
Analysis of total provisions:		
Current	**(0.7)**	(0.5)
Non-current	**(0.9)**	(1.4)
	(1.6)	(1.9)

During the prior year, the Group recognised a provision relating to an onerous contract of £1.9m. In arriving at the provision the Group assumed a discount rate in line with the right-of-use asset relating to the contract, and reviewed expected cash flows up to the break date of the contract. In the current year, in line with the release of the provision, the discounting has similarly been partly unwound. The discount rate used in the current year is 7.8%.

21. Share capital and reserves

Ordinary share capital

Group and Company

	10p 'A' ordinary shares	Total value	10 p 'B' ordinary shares	Total value	5p 'B1' ordinary shares	Total value	5p 'B2' ordinary shares	Total value
	Number	£'m	Number	£'m	Number	£'m	Number	£'m
Issued and fully paid								
At 29 February 2020	172,763,695	17.3	164,000	-	136,000	-	136,000	-
At 27 February 2021	172,763,695	17.3	164,000	-	136,000	-	136,000	-
At 26 February 2022	172,763,695	17.3	164,000	-	136,000	-	136,000	-

On 4th April 2019, 96,000 of Missouri Topco Limited's 'B1' Ordinary Shares were acquired on behalf of the Matalan Retail Limited Employee Benefit Trust for £250,000 from a previous employee. This figure was reflected within retained earnings in the prior year.

As at 26 February 2022, the Matalan Employee Benefit Trust held the following shares:

10p 'B' ordinary shares – 60,000
5p 'B1' ordinary shares – 96,000
5p 'B2' ordinary shares – 136,000

Reserves

Merger reserve
In accordance with merger accounting principles, the shares issued in connection with the scheme of arrangement to Matalan Finance plc created the merger reserve at the time of issue.

Hedge reserve
The hedge reserve gain of £5.5m (2021: £7.0m loss) comprises the effective portion of the cumulative net change in fair value of qualifying cash flow hedging instruments relating to hedged transactions, which have not yet occurred.

Capital redemption reserve
The capital redemption reserve of £4.6m (2021: £4.6m) comprises the value of 'A' shares repurchased in 2011 (£4.6m).

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

21.Share capital and reserves (continued)

B share subscription agreement
Agreements to subscribe for 300,000 B shares in the Company were agreed with selected individuals at the date of acquisition. The agreements provide that B shareholders will participate in the increase in fair value of the Group from the date of merger with Matalan Limited (formerly Matalan plc) and until either a specified exit event or liquidation occurs. The agreements have been treated as a share-based payment transaction in accordance with IFRS 2. The fair value of the subscription agreement was valued at the date of the agreement using a Black Scholes model and spread across the expected term of the agreement, reviewed at each Balance Sheet date, with the resulting charge/(credit) accounted for as an employee expense. The key inputs into the original valuation were: expected volatility of 40%, expected term of 5 years, expected dividend yield of nil and risk free interest rate of 5.66%. The volatility assumption of 40% was based upon historic volatility data. The fair value of each subscription was calculated at £38.45 per share.

The charge in the period was £0.4m (2021: £0.4m).

The full disclosures required under IFRS 2 have not been included as the value of these employee benefits is not deemed to be material to the Group.

Rights, preferences and restrictions

The A Shares have voting rights whereas the B Shares do not. The majority consent of the holders of the A Shares is required to distribute a dividend. If the holders of the A Shares consent to a dividend payment, the holders of the B shares may be entitled to a proportion of that dividend, subject to the application of a formula set forth in the Articles of Association (the holders of the A Shares receive the balance of profits available for distribution). This formula provides that the B Shares are entitled to a proportion of the dividend only where, after multiplying the previous year's EBIT by 12.5 and subtracting total borrowings, the resulting figure exceeds the equity value at the time of the Take Private Transaction. On a return of capital, the surplus assets and retained profits are distributed according to a similar formula whereby the relative entitlement of the B Shares as a class (including the B1 and B2 shares referred to below) represents 10% of the growth in the value of the A Shares since the Take Private Transaction. This formula is reflected in the entitlement of holders of the B Shares to share in the proceeds of a sale of the company.

22. Cash flows from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group	
	2022	2021
	£'m	£'m
Cash generated from continuing operations		
Loss for the year	**(2.1)**	(115.7)
Adjustments for:		
Tax	**(5.6)**	(15.8)
Interest	**97.0**	91.0
Exceptional finance costs	**0.4**	1.2
Depreciation	**89.8**	97.2
Amortisation of intangibles	**15.8**	10.9
Impairment	**-**	8.3
Gain on sale of foreign currency	**(13.9)**	-
Share based compensation charge	**0.4**	0.4
Hedge accounting	**(0.1)**	0.2
Operating cash flows before movements in working capital	**181.7**	77.7
Movements in working capital		
Decrease in inventories	**7.4**	2.7
Decrease/ (increase) in trade and other receivables	**0.6**	(16.6)
(Decrease)/ increase in trade and other payables	**(5.5)**	17.0
Net cash flows from operating activities	**184.2**	80.8

The Company had no cash flows in 2022 (2021: none).

23. Reconciliation of debt

Group

	2022			2021		
	Loans and borrowings	**Lease liabilities**	**Total**	**Loans and borrowings**	**Lease liabilities**	**Total**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Opening balance	**(543.6)**	**(530.8)**	**(1,074.4)**	**(476.3)**	**(522.4)**	**(998.7)**
Repayment of lease liabilities	-	71.1	**71.1**	-	20.7	**20.7**
Bonds/ Loan issued	-	-	**-**	(90.7)	-	**(90.7)**
Interest paid	29.1	46.1	**75.2**	28.3	47.9	**76.2**
(Repayment)/ payment of issue costs	(0.1)	-	**(0.1)**	13.9	-	**13.9**
Repayment of borrowings	-	-	**-**	29.3	-	**29.3**
Amortisation of issue costs	(7.8)	-	**(7.8)**	(5.9)	-	**(5.9)**
Interest expense	(42.9)	(44.8)	**(87.7)**	(42.2)	(47.9)	**(90.1)**
Lease modifications and additions	-	(27.1)	**(27.1)**	-	(29.1)	**(29.1)**
Closing balance	**(565.3)**	**(485.5)**	**(1,050.8)**	**(543.6)**	**(530.8)**	**(1,074.4)**

The Loans and borrowings balance of £565.3m is inclusive of current borrowings of £391.4m (note 17) and non-current borrowings of £156.8m (note 17) and overdraft of £17.1m (note 16).

24. Leases

a. Right of use assets

	Stores	Warehouse and Other	Total
	£'m	£'m	£'m
Cost			
At 27 February 2021	504.0	60.5	564.5
Additions	3.0	1.0	4.0
Modifications	16.8	3.0	19.8
Disposals	(2.6)	-	(2.6)
At 26 February 2022	**521.2**	**64.5**	**585.7**
Accumulated depreciation			
At 27 February 2021	137.9	8.8	146.7
Charge for the period	61.6	4.7	66.3
Disposals	(1.1)	-	(1.1)
At 26 February 2022	**198.4**	**13.5**	**211.9**
Net book value			
At 26 February 2022	**322.8**	**51.0**	**373.8**
Net book value			
As at 27 February 2021	**366.1**	**51.7**	**417.8**

The modifications relate to rental regears negotiated during the financial period.

b. Lease liabilities

Year ended 26 February 2022 – Leases under IFRS 16

The following amounts have been recognised in profit or loss for which the group is a lessee

	2022 £'m
Interest on lease liabilities	44.8
Income from sub-leasing right-of-use assets presented within interest	(0.1)

Year ended 27 February 2021 – Leases under IFRS 16

	2021 £'m
Interest on lease liabilities	47.9
Income from sub-leasing right-of-use assets presented within interest	(0.1)

Amounts recognised in statement of cash flows	**2022 £'m**
Interest paid in respect of lease liabilities	**44.8**
Repayment of lease liabilities	**71.1**

24. Leases (continued)

c. Maturity analysis of leases

The following are the remaining contractual maturities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

2022 Right-of-use liabilities

	2022 **£'m**
Within one year	**116.7**
Between one and two years	**101.0**
Between two to five years	**245.5**
Over five years	**213.2**
Total	**676.4**

2021 Right of use liabilities

	2021 **£'m**
Within one year	108.6
Between one and two years	103.3
Between two and five years	274.8
Over five years	265.2
Total	751.9

d. Sale and leaseback

In the prior period, the Group disposed of the entity which held the Group's head office. The lessee entity within the Group (Matalan Retail Limited) continues to pay rent for the head office on an unaltered basis. The sale and leaseback was undertaken to raise additional liquidity to repay a portion of the RCF and CLBILS. No gain or loss was realised on the sale and leaseback.

25. Sale of forward contracts

During the 52 weeks ended 27 February 2021, forward contracts formally designated for hedging were disposed of, generating £18.3m of cash for the business. This amount was split as £4.4m relating to FY21 and £13.9m relating to FY22. The amounts relating to FY21 were released to finance income during the previous financial year. The amounts relating to FY22 were retained in the hedge reserve and then released to cost of sales at the date at which those hedges would otherwise have matured.

The impact of the disposal of the forward contracts within the hedge reserve is reflected below.

Group	**Hedge reserve £'m**
At 01 March 2020	-
Gain on disposal of forward contracts	**18.3**
Amount relating to FY21 taken to finance income	**(4.4)**
As at 27 February 2021	**13.9**
Amount relating to FY22 taken to cost of sales	**(13.9)**
As at 26 February 2022	-

26. Government Grants

During the period, the Group received government grants in the form of the following:

Group	**2022 £'m**	2021 £'m
Coronavirus Job Retention Scheme	**5.1**	28.8
Business grants	**3.3**	2.5
Rates relief	**24.0**	41.2
	32.4	72.5

Coronavirus Job Retention Scheme
In March 2020, in response to the first national lockdown, the Chancellor announced the introduction of the Coronavirus Job Retention Scheme. The scheme allowed companies to be reimbursed up to 80% of employee wages for staff retained on company payrolls whilst placed on furlough.

Business grants
The UK Governments introduced legislation to allow companies to claim grant funding to cover the costs of retail stores that were subject to government mandated closures during periods of lockdown or other COVID-19 restrictions.

Rates relief
In March 2020, the UK Government introduced a business rates holiday for retail, hospitality and leisure businesses. As a result, the business was not required to pay business rates on the vast majority of its premises for the 2020-2021 tax year. This rates holiday was further extended in England for the first three months of the 2021-22 tax year, before the introduction of a scaled-down scheme for the remainder of the 2021-22 tax year that was capped at £2m support per group. The devolved nations extended their rates holiday schemes on the majority of stores within their borders for the whole of the 2021-22 tax year.

27. Capital commitments

The capital expenditure for the Group that has been contracted for but not provided at 26 February 2022 was £5.4m (2021: £5.4m). The Company has £nil capital commitments at 26 February 2022 (2021: £nil).

28. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Group bank loans and overdrafts as disclosed in note 17 are secured by fixed and floating charges on all the assets of the Group.

29. Related party transactions

The Company has a related party relationship with other group undertakings and with its directors and executive officers.

The Company is party to a group cash pooling arrangement with other group companies. The Company does not settle transactions in cash, instead amounts are settled by other group companies on its behalf with a corresponding adjustment to intercompany receivables/ payables. £nil was settled on its behalf in the period (2021: £nil). The balance of the related transactions outstanding at 26 February 2022 is £29.9m (2021: £29.9m).

The Company considers the Hargreaves family to be the ultimate controlling party. Key management is the directors of the Company. The compensation paid or payable to key management for employee services is included in note 6.

Ongoing related parties and transactions:

In the prior period, the Group disposed of the subsidiary which held the head office. The subsidiary was sold to JMax Knowsley Limited, which is a company controlled by a member of the Hargreaves Family for consideration of £1. £24,999,999 was then paid on behalf of the sold subsidiary to settle intercompany balances with Matalan Retail Limited. The Group received rental charges from JMax Knowsley Limited of £2.2m in the period (2021: £0.3m) of which £nil was outstanding at 26 February 2022 (2021: £0.3m).

The Group purchased IT services from companies associated with the Hargreaves family. The expenditure incurred in the period was £5.0m (2021: £4.0m) of which £0.4m was outstanding at 26 February 2022 (2021: £0.3m).

The Group purchased clothing for resale from companies associated with the Hargreaves family. Purchases in the period totalled £0.3m (2021: £0.1m) of which £nil was outstanding at 26 February 2022 (2021: £nil).

The Group used the clothing design services of companies associated with the Hargreaves family. The expenditure incurred in the period was £0.1m (2021: £0.1m) of which £nil was outstanding at 26 February 2022 (2021: £nil).

The Group incurred sundry costs relating to the Hargreaves family and associated companies in the period of £0.3m (2021: £0.2m) of which £nil was outstanding at 26 February 2022 (2021: £nil).

30. Exceptional items

Exceptional items are comprised as follows:

	Group	
	2022	2021
	£'m	£'m
Restructuring costs	**(2.5)**	(2.0)
Other income	**-**	0.4
Impairment of building	**-**	(4.6)
Impairment of Oxford Street store	**-**	(5.5)
Exceptional items - administrative expenses	**(2.5)**	(11.7)
Finance expense	**(0.4)**	(1.2)
Exceptional items - finance expense	**(0.4)**	(1.2)
Total exceptional items	**(2.9)**	(12.9)

Restructuring costs
Following a number of employment contracts being terminated in the period, restructuring costs of £2.5m (2021: £2.0m) have been incurred in the year. During the financial period a rationalisation exercise was undertaken of store management, with the introduction of dual site managers.

Other income
During the 52 weeks ended 27 February 2021, the Group disposed of a lease which had an onerous provision, with the remaining amount of the non-rental portion released resulting in a credit of £0.4m.

Impairment of building
During the 52 weeks ended 27 February 2021, the Group disposed of the subsidiary company which held the head office fixed asset. The Group impaired the value of the head office to fair value, being £25.0m, and incurred an impairment loss of £4.6m.

Impairment of Oxford Street store
During the 52 weeks ended 27 February 2021, as a result of the impact of COVID-19 on the high street, the Group deemed it necessary to impair the right-of-use asset relating to the Oxford Street store and provide for the fixed establishment costs up to the end of their contract. The following assumptions were utilised in arriving at the value in use:

- Period on which management approved forecasts are based: 4 years
- Discount rate applied: 7.8%

Management applied a forecast period of 4 years in order to be in line with the break date of the lease. The discount rate applied is in line with the IFRS 16 lease liability discount rate.

Finance expense
During the year the Group incurred exceptional finance costs relating to refinancing of £0.4m (2021: £1.2m).

31. Principal subsidiary companies and ultimate controlling party

	Principal activity	Ownership	Country of incorporation
UK companies			
Matalan Finance Plc	Holding company	100%	England and Wales
Matalan Group Limited	Holding company	100%	England and Wales
Matalan Limited	Holding company	100%	England and Wales
Matalan Retail Limited	Retail	100%	England and Wales
Matalan Holding Company Limited	Holding company	100%	England and Wales
Matalan Investments Limited	Holding company	100%	England and Wales
Matalan Travel Limited	Travel services	100%	England and Wales
HP01 Nominees Limited	Distribution	100%	England and Wales
Matalan Direct Limited	Retail	100%	England and Wales

Except for Matalan Group Limited, which is a wholly owned subsidiary of Missouri Topco Limited, all other companies are held via subsidiary undertakings.

During the prior financial year the Group disposed of its wholly owned subsidiary, Jonmar Limited. Further details can be found in note 29.

The directors regard the Hargreaves family as the ultimate controlling party throughout the period.