REGISTERED NUMBER: 00146907

MARYLAND HOLDCO LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13 WEEKS ENDED 27 MAY 2023

MARYLAND HOLDCO LIMITED

Contents

MARYLAND HOLDCO LIMITED

Results of operations for the 13 weeks ended 27 May 2023

Revenue
Revenue was £263.6m in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £65.1m).

Cost of sales and gross profit/(loss)
Cost of sales were £242.9m in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £70.5m).

Gross profit was £20.7m in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: loss of £5.4m).

Gross profit as a percentage of revenue was 7.9% in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: (8.3)%).

Administrative expenses (including exceptional items)
Administrative expenses (including exceptional items) were £18.9m in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £4.0m).

Exceptional administrative expenses of £0.7m were charged to the income statement in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £nil).

Operating profit
Operating profit pre-exceptional items was £2.5m in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: loss of £9.4m).

Non-operating income
Non-operating income was £nil for the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £51.2m). The amount recognised in the 65 day period ended 25 February 2023 is in relation to the acquisition of the Matalan Group with the resulting gain on bargain purchase recognised in the income statement for that financial period.

Net finance costs
Net finance costs were £21.9m in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £7.1m).

Taxation
Taxation in the 13 week period ended 27 May 2023 was a £2.3m credit (65 day period ended 25 February 2023: £3.9m credit).

(Loss)/ profit for the period
The loss in the 13 week period ended 27 May 2023 was £17.8m (65 day period ended 25 February 2023: £38.6m profit).

Results of operations for the 13 weeks ended 27 May 2023 (continued)

Cash flow

Cash flows from operating activities were a £17.4m inflow in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £5.1m outflow).

Net cash used in investing activities was a £12.5m outflow in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £97.1m inflow).

Net cash used in financing activities was a £17.2m outflow in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £2.8m outflow).

Net cash decreased by £12.3m in the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £89.2m increase). The total cash and cash equivalents balance as at 27 May 2023 was £76.9m, inclusive of restricted cash of £6.3m.

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Condensed consolidated income statement

	Note	**13 weeks ended 27 May 2023 £'m**	65 days ended 25 February 2023 £'m
Revenue	3	**263.6**	65.1
Cost of sales	3	**(242.9)**	(70.5)
Gross profit/(loss)	3	**20.7**	(5.4)
Administrative expenses (including exceptional items)	3	**(18.9)**	(4.0)
Operating profit/(loss) (including exceptional items)	3	**1.8**	(9.4)
Operating profit/(loss) pre exceptional items		**2.5**	(9.4)
Exceptional items – administrative expenses	12	**(0.7)**	**-**
Operating profit/(loss)		**1.8**	(9.4)
Exceptional items – gain on bargain purchase		-	51.2
Non-operating income		-	51.2
Finance costs		**(21.9)**	(7.1)
Net finance costs		**(21.9)**	(7.1)
Loss before income tax and exceptional items		**(19.4)**	(16.5)
Total exceptional items	12	**(0.7)**	51.2
(Loss)/profit before income tax		**(20.1)**	34.7
Income tax	5	**2.3**	3.9
(Loss)/ profit for the period		**(17.8)**	38.6

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Statement of comprehensive income

	13 weeks ended 27 May 2023 £'m	65 days ended 25 February 2023 £'m
(Loss)/profit for the period	**(17.8)**	38.6
Other comprehensive (expenditure)/ income:		
Cash flow hedges	**(10.8)**	9.4
Income tax element of cash flow hedges	**1.3**	(1.5)
Total other comprehensive (expenditure)/ income, net of income tax	**(9.5)**	7.9
Total comprehensive (expenditure)/ income for the period	**(27.3)**	46.5
Hedging gains and losses transferred to inventory	**4.7**	(2.7)

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated balance sheet

	Note	**27 May 2023**	25 February 2023
		£'m	£'m
Assets			
Property, plant and equipment		**163.6**	165.1
Right-of-use assets		**226.3**	234.8
Intangible assets		**177.7**	178.8
Deferred tax asset		**15.1**	11.4
Total non-current assets		**582.7**	590.1
Inventories – goods for resale		**150.6**	126.1
Trade and other receivables		**21.3**	18.7
Financial assets – derivative financial instruments	7	**-**	5.6
Current tax asset		**0.3**	0.3
Restricted cash and cash equivalents		**6.3**	6.7
Unrestricted cash and cash equivalents		**70.6**	82.5
Total current assets		**249.1**	239.9
Total assets		**831.8**	830.0
Liabilities			
Financial liabilities – borrowings	6	**(0.3)**	(0.8)
Financial liabilities – derivative financial instruments	7	**(11.2)**	(6.0)
Short-term lease liabilities		**(68.1)**	(66.9)
Trade and other payables		**(170.4)**	(141.7)
Provisions for other liabilities and charges		**(0.6)**	(0.7)
Total current liabilities		**(250.6)**	(216.1)
Financial liabilities – borrowings	6	**(209.0)**	(205.6)
Long-term lease liabilities		**(326.7)**	(340.2)
Provisions for other liabilities and charges		**(0.3)**	(0.3)
Total non-current liabilities		**(536.0)**	(546.1)
Total liabilities		**(786.6)**	(762.2)
Net assets		**45.2**	67.8
Shareholders' equity			
Share capital		**-**	-
Share premium		**24.0**	24.0
Hedge reserve		**0.4**	5.2
Retained earnings		**20.8**	38.6
Total shareholders' equity		**45.2**	67.8

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated cash flow statement

	Note	**13 weeks ended 27 May 2023 £'m**	65 days ended 25 February 2023 £'m
Cash flows from operating activities			
Cash generated from/(used in) operations	8	**35.3**	(1.3)
Interest paid		**(17.9)**	(3.8)
Net cash generated from/(used in) operating activities		**17.4**	(5.1)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6.4)**	(0.8)
Purchases of intangible assets		**(6.1)**	(1.3)
Cash with business combination		**-**	99.2
Net cash (used in)/generated from investing activities		**(12.5)**	97.1
Cash flows from financing activities			
Repayment of lease liabilities		**(17.2)**	(2.8)
Net cash used in financing activities		**(17.2)**	(2.8)
Net (decrease)/ increase in cash and cash equivalents		**(12.3)**	89.2
Net cash and cash equivalents at the beginning of the period		**89.2**	-
Net cash and cash equivalents at the end of the period		**76.9**	89.2

The notes on pages 9 to 15 form an integral part of this condensed consolidated interim financial information.

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Condensed consolidated statement of changes in shareholders' equity

Group

	Share capital £'m	Share premium £'m	Hedge reserve £'m	Retained earnings £'m	Total equity £'m
As at incorporation	**-**	**-**	**-**	**-**	**-**
Acquired at acquisition	**-**	**-**	**-**	**-**	**-**
Comprehensive income					
Profit for the period	-	-	-	38.6	**38.6**
Total profit for the period	**-**	**-**	**-**	**38.6**	**38.6**
Other comprehensive income					
Cash flow hedges					
- fair value gain in the period	-	-	9.4	-	**9.4**
- tax element of cash flow hedges	-	-	(1.5)	-	**(1.5)**
Total cash flow hedges, net of tax	**-**	**-**	**7.9**	**-**	**7.9**
Total other comprehensive income, net of tax	**-**	**-**	**7.9**	**-**	**7.9**
Hedging gains and losses transferred to the cost of inventory	-	-	**(2.7)**	-	**(2.7)**
Changes in ownership interests					
Issue of new shares	-	24.0	**-**	-	**24.0**
Total changes in ownership interests	**-**	**24.0**	**-**	**-**	**24.0**
As at 25 February 2023	**-**	**24.0**	**5.2**	**38.6**	**67.8**

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Condensed consolidated statement of changes in shareholders' equity (continued)

Group

	Share capital £'m	Share premium £'m	Hedge reserve £'m	Retained earnings £'m	Total equity £'m
As at 26 February 2023	**-**	**24.0**	**5.2**	**38.6**	**67.8**
Comprehensive expenditure					
Loss for the period	-	-	-	(17.8)	**(17.8)**
Total loss for the period	**-**	**-**	**-**	**(17.8)**	**(17.8)**
Other comprehensive expenditure					
Cash flow hedges					
- fair value loss in the period	-	-	(10.8)	-	**(10.8)**
- tax element of cash flow hedges	-	-	1.3	-	**1.3**
Total cash flow hedges, net of tax	**-**	**-**	**(9.5)**	**-**	**(9.5)**
Total other comprehensive expenditure, net of tax	**-**	**-**	**(9.5)**	**-**	**(9.5)**
Hedging gains and losses transferred to the cost of inventory	**-**	**-**	**4.7**	**-**	**4.7**
As at 27 May 2023	**-**	**24.0**	**0.4**	**20.8**	**45.2**

Notes to the financial statements

1. General information

The Company is incorporated and domiciled in Jersey. Its directly held subsidiary company, Maryland Midco Limited, is also incorporated and domiciled in Jersey. All other 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.

These condensed consolidated interim financial statements were approved for issue on 24 July 2023**.**

2. Summary of accounting policies and new standards

Basis of preparation

The annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards ('adopted IFRSs'). The comparative figures for the 65 day period to 25 February 2023 are taken from the Group's statutory accounts for that financial year.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements (the policy for recognising and measuring income taxes in the period is described in note 5).

3. Operating profit/(loss)

	13 weeks ended 27 May 2023 £'m	65 days ended 25 February 2023 £'m
Revenue	263.6	65.1
Total revenue	**263.6**	65.1
Cost of goods sold	**(155.7)**	(42.7)
Selling expenses	**(76.1)**	(24.0)
Distribution expenses	**(11.1)**	(3.8)
Total cost of sales	**(242.9)**	(70.5)
Gross profit/(loss)	**20.7**	(5.4)
Administrative expenses - pre exceptional items	**(18.2)**	(4.0)
Exceptional items - administrative expenses	**(0.7)**	-
Total administrative expenses	**(18.9)**	(4.0)
Operating profit/(loss)	**1.8**	(9.4)

Further details of exceptional items are given in note 12.

Notes to the financial statements (continued)

4. Segment reporting

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, 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 EBITDA before exceptional items to assess the performance of the Group and make decisions about resources to be allocated to the segment. This can be reconciled to statutory operating profit as follows:

	13 weeks ended 27 May 2023 under IFRS 16	65 days ended 25 February 2023 under IFRS 16
	£'m	£'m
Operating profit/(loss)	**1.8**	(9.4)
Depreciation and amortisation	**23.6**	8.2
Exceptional items	**0.7**	-
EBITDA pre exceptionals	**26.1**	(1.2)

Reconciliation to IAS 17 EBITDA

EBITDA pre exceptionals under IFRS 16	**26.1**	(1.2)
Increase in cost of sales	**(23.3)**	(9.4)
Increase in administrative expenses	**(0.7)**	(0.2)
EBITDA pre exceptionals under IAS 17	**2.1**	(10.8)

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

Notes to the financial statements (continued)

5. Income tax

Income tax for the 13 week period ended 27 May 2023 is credited at 11.4% (65 days period ended 25 February 2023: 11.2%) of profit representing the best estimate of the effective annual income tax rate expected for the full year, applied to the pre-tax profit/loss for the 13 week period.

The effective annual income tax credit rate of 11.4% for the period is lower than the standard rate of corporation tax in the UK of 25.0% at the end of May 2023 (February 2023: 19.0%). The rate of corporation tax is based on a weighted average rate. A UK corporation tax rate of 25.0% (effective 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax asset at 27 May 2023 has been calculated based on the rate of 25% (February 2023: 25%).

6. Financial liabilities – borrowings

Group	**27 May 2023 £'m**	25 February 2023 £'m
Current		
Option to draw £25.0m Super Senior Notes (fair valued)	**(0.3)**	(0.8)
	(0.3)	(0.8)
Non-current		
£61.2m 10.0% Super Senior Notes (fair valued and net of £3.8m issue costs (February 2023: 4.0m)) maturity date 2027	**(62.7)**	(62.6)
£75.0m SONIA plus 5.5% Priority Notes (fair valued and net of £4.8m issue costs (February 2023: £5.0m)) maturity date 2027	**(68.3)**	(67.9)
£200.0m 10.0% Senior Secured Notes (fair valued and net of £13.6m issue costs (February 2023: £13.6m)) maturity date 2028	**(78.0)**	(75.1)
	(209.0)	(205.6)

Borrowings are all denominated in sterling at 27 May 2023. Issue costs of £22.6m were incurred in relation to the Super Senior Notes, Senior Secured Notes and Priority Notes, and are being amortised over the terms of the facilities.

On 26th January 2023, the Matalan Group successfully completed a recapitalisation exercise, as part of which Maryland Bidco Limited, an indirect subsidiary of Maryland Holdco Limited acquired the entire share capital of Matalan Finance Plc for £1.

As part of the transaction, Maryland Bidco Limited issued three new classes of debt. Super Senior Notes of £61.2m with a maturity date of January 2027 in order to fully repay Matalan Finance Plc's £60m asset backed term loan. Senior Secured Notes of £200m with a maturity date of January 2028 were issued to acquire the entirety of Matalan Finance Plc's £350m 6.75% First Lien Secured Notes. In addition, New Priority Notes of £75m with a maturity date of July 2027 were issued injecting additional liquidity into the Group.

The Group also negotiated a further new Super Senior Notes (Tranche 2) facility with a committed value of £25m and a maturity date of January 2027. This facility remains available for drawdown for up to six months after the transaction date.

Notes to the financial statements (continued)

6. Financial liabilities – borrowings (continued)

All of these new classes of debt were issued along with the allocation of shares in the Group's new holding company Maryland Holdco Limited resulting in a change of ownership of the Group and new ultimate controlling parties. In accordance with the requirements of IFRS 3, these loan notes issued in order to effect the business combination are initially recognised at fair value less attributable issue costs.

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 2023 £'m
Less than one year	**-**
One to five years	**336.2**
Five to ten years	**-**
	336.2
IFRS 9 fair value adjustment	**(104.7)**
Unamortised issue costs	**(22.2)**
	209.3
Current	**0.3**
Non-current	**209.0**
	209.3

Borrowing facilities

The Matalan Group holds an £8.0m cash-collateralised ancillary facility which it has negotiated with its bankers. These facilities are held within Matalan AF Limited for the benefit of Matalan Retail Limited with the cash collateral associated with this ancillary facility reflected as restricted cash and cash equivalents within the financial statements. These facilities are subject to an annual review and incur fees at market rates. At 27 May 2023 the table below reflects the usage of the AF (ancillary facility):

	Group 2023 £'m
Letters of credit	**4.1**
Guarantees	**2.2**
Unused	**1.7**
Total	**8.0**

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.

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Notes to the financial statements (continued)

7. Derivative financial instruments

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 27 May 2023 is £349.2m (25 February 2023: £364.7m).

The net fair value of losses as at 27 May 2023 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases is £(11.2)m (25 February 2023: £(0.4)m). These are transferred at their current fair value as an inventory based adjustment on receipt of the underlying inventory.

8. Cash flow from operating activities

Reconciliation of operating profit/(loss) to net cash flow from operating activities:

	13 weeks ended 27 May 2023 £'m	65 days ended 25 February 2023 £'m
Cash generated from operations		
Operating profit/(loss)	**1.8**	(9.4)
Adjustments for:		
Depreciation	**18.1**	6.0
Amortisation of intangibles	**5.5**	2.2
Hedge accounting	**0.2**	-
Operating cash flows before movements in working capital	**25.6**	(1.2)
Movements in working capital:		
Increase in inventories	**(29.1)**	(8.9)
Decrease in trade and other receivables	**0.2**	3.0
Increase in trade and other payables	**38.6**	5.8
Net cash flows from operating activities	**35.3**	(1.3)

9. Reconciliation of liabilities

	Loans and borrowings	Lease liabilities	Total
	£'m	£'m	£'m
Opening balance as at 26 February 2023	**(206.4)**	**(407.1)**	**(613.5)**
Repayment of lease liability	-	17.2	**17.2**
Interest paid	7.3	10.6	**17.9**
Amortisation of issue costs	(0.4)	-	**(0.4)**
Interest expense	(9.8)	(10.0)	**(19.8)**
Lease modifications and additions	-	(5.5)	**(5.5)**
Closing balance as at 27 May 2023	**(209.3)**	**(394.8)**	**(604.1)**

The loans and borrowings balance of £209.3m is inclusive of current borrowings of £0.3m (note 6) and non-current borrowings of £209.0m (note 6).

10. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all group company bank accounts. Group bank facilities as disclosed in note 6 are secured by fixed and floating charges on all the assets of the Group.

11. 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 (25 February 2023: £nil). The balance of the related transactions outstanding at 27 May 2023 is £nil (25 February 2023: £nil).

There is no ultimate parent undertaking for Maryland Holdco Limited and company above Maryland Holdco Limited that prepares consolidated accounts. There is no party that owns more than 25% of the issued share capital and no individual that has ultimate control of the Company.

12. Exceptional items

Exceptional items are comprised as follows:

	13 weeks ended 27 May 2023 £'m	65 days ended 25 February 2023 £'m
Administrative expenses		
Restructuring costs	**(0.7)**	-
Exceptional items – administrative expenses	**(0.7)**	-
Non-operating income		
Gain on bargain purchase	**-**	51.2
Exceptional items – non-operating income	**-**	51.2
Total exceptional items	**(0.7)**	51.2

Restructuring costs
A charge of £0.7m was incurred in relation to restructuring costs during the 13 week period ended 27 May 2023 (65 day period ended 25 February 2023: £nil).

Gain on bargain purchase
During the 65 days ended 25 February 2023, an exceptional gain on bargain purchase of £51.2m in relation to the acquisition of the Matalan Group was recognised through the consolidated income statement at the acquisition date.