REGISTERED NUMBER: 00146907

MARYLAND HOLDCO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 24 FEBRUARY 2024

MARYLAND HOLDCO LIMITED

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MARYLAND HOLDCO LIMITED

DIRECTORS AND ADVISORS

Directors
M W G Palmer (resigned 15 March 2023)
J A Reader (resigned 15 March 2023)
D W C Mallon (appointed 15 March 2023 and resigned 28 March 2023)
K-H Holland (appointed 27 March 2023)
J L Whitfield (appointed 28 March 2023)
S M Hill (appointed 15 March 2023 and resigned 27 February 2024)
P D Copley (appointed 15 March 2023)
J Pee (appointed 13 November 2023)
D R Williams (appointed 27 February 2024)

Company Secretary
Vistra Secretaries Limited (resigned 15 March 2023)
W G Lodder (appointed 15 March 2023)

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MARYLAND HOLDCO LIMITED

STRATEGIC REPORT

The directors present their annual strategic report and the audited financial statements for the 52 weeks ended 24 February 2024.

Overview

Maryland Holdco Limited, its direct subsidiary undertaking Maryland Midco Limited and indirect subsidiary undertaking Maryland Bidco Limited were incorporated in December 2022 to facilitate the acquisition of the Matalan Group, made up of Matalan Finance Plc and its subsidiary undertakings.

The acquisition of the Matalan Group was completed on 26 January 2023 as the successful culmination of a strategic sales process. This process was instigated in response to the cost-of-living crisis and rising interest rates creating a challenging backdrop against which the Matalan Group needed to refinance a number of its maturing debt facilities.

These financial statements include the trading performance of the Matalan Group for the 52 week period ended 24 February 2024, a trading period of 364 days. The prior year comparatives are for only the 65 days ended 25 February 2023, and including trading for the 30 days ended 25 February 2023.

The Group achieved Earnings before interest, tax, depreciation and amortisation ("EBITDA") before exceptional items of £146.2m (2023: £0.2m). See note 8 to the financial statements for EBITDA reconciliation to the statutory results.

Strategic Sales Process
In December 2022, Maryland Holdco Limited, was incorporated in order to effect the acquisition of the Matalan Group by an ad-hoc group of bondholders, headed up by the Group's four largest note holders.

The trading subsidiary of Matalan Finance Plc, Matalan Retail Limited, was unimpacted by the transaction, with the 231 UK stores, 50 International stores and online business continuing to trade, and our colleagues and supplier relationships continuing as usual.

Acquisition Accounting
In the prior financial period, the Maryland Holdco Limited Group acquired the Matalan Group, made up of Matalan Finance Plc and its subsidiary undertakings on 26 January 2023. This acquisition of the Matalan Group meets the definition of a business combination within the scope of IFRS 3 and as such was accounted for under the 'acquisition method' of accounting.

In accordance with the requirements of IFRS 3, the business performed an exercise as reported in the financial statements drawn up to 25 February 2023, to measure the acquired assets and liabilities of the Matalan Group at their assumed acquisition date fair values. At the same time, a calculation was performed to assess the fair value of the consideration transferred at the acquisition date to effect the transaction.

As part of this exercise a full review was undertaken to identify and fair value any separately identifiable intangible assets acquired as part of the business combination. As a direct result of this exercise the Matalan Brand and the Group's International Franchise Agreements were recognised on the Maryland Holdco Limited consolidated statement of financial position.

As the Matalan Group leases its entire store estate, distribution centres and head office there was also a requirement to reassess the acquired Group's lease liability at the acquisition date using the remaining lease payments and revised incremental borrowing rate of the acquiree. A further adjustment was also made to the right-of-use asset to reflect favourable and unfavourable lease terms compared to the market terms in force at the acquisition date.

Full details of the exercise undertaken in the prior financial period are provided at note 30.

Business review

Revenue was £1,081.5m in the 52 weeks ended 24 February 2024 (65 days ended 25 February 2023: £65.3m).

The gross profit for the 52 weeks ended 24 February 2024 was £112.0m, including £3.6m of exceptional costs (65 days ended 25 February 2023: gross loss of £(11.8)m, including £7.9m of exceptional costs).

Administrative expenses (including exceptional items) were £86.3m for the 52 weeks ended 24 February 2024 (65 days ended 25 February 2023: £5.4m).

Exceptional administrative expenses of £4.3m were debited to the income statement in the 52 weeks ended 24 February 2024 (65 days ended 25 February 2023: £nil).

Operating profit pre-exceptional items was £33.6m in the 52 weeks ended 24 February 2024 (65 days ended 25 February 2023: operating loss pre-exceptional items of £(9.3)m).

Net finance costs (including exceptional items) were £85.7m for the 52 weeks ended 24 February 2024 (65 days ended 25 February 2023: £6.9m).

Exceptional finance costs of £0.2m were incurred in the 52 weeks ended 24 February 2024 (65 days ended 25 February 2023: £nil).

The statutory loss after tax was £43.8m (65 days ended 25 February 2023: £23.2m).

Additions to property, plant and equipment of £29.1m and to intangible assets of £8.2m during the period include investment in the supply chain infrastructure in our Knowsley Distribution Centre.

Development and performance of the business

Strategic Overview

Matalan aims to provide a unique blend of choice, quality, design and price across a broad range and price architecture, via a compelling shopping experience both in-store and online. To do this, we have recognised the need to invest in our leadership and re-examine our strategy, which has been a focus for us over the past 12 months.

Last year, we made a number of Board and Executive appointments in order to bolster our leadership capability and lead the turnaround of our business. Following the appointment of the Group's new Chair and CEO in early 2023, a new Executive team has now been established, reflecting an extensive breadth and depth of industry experience.

We have commenced a full strategic review of our business; connecting with a deeper understanding of our customers, the markets in which we operate, our proposition and adjacent opportunities for growth. This activity has been essential due to the volatile market conditions we continued to experience across the UK and broader markets.

The focus of our strategy is our ambition to be the number 1 choice for value for Matalan families. We recognise the history, brand resonance and relevance of our business in the role it plays in family life and are clear on the value which we can deliver to families across the UK and our international markets.

Strategic Overview (continued)

We will achieve our ambition by placing our customers at the heart of everything we do and proudly putting everyday family heroes first, through a strategy which drives a stronger proposition by:

- Improving our **Value** by optimising our quality and price equation
- Bringing more **Style**; driving newness via trends and innovation
- Delivering better **Choice** in designing relevant and inclusive ranges
- Investing in **Service**, and creating a hassle free omni-channel experience
- Building **Trust**, by doing the right thing for our communities and colleagues

These aims will be delivered via our five strategic priorities:

- Placing our **Customer** at the heart of our business
- Increasing our **Reach**, so that people can shop with us whenever and wherever suits
- Delighting our customers with our improved **Products**
- Being proud of who we are by ensuring our ways of doing business protect our **People & Planet**
- Building solid, future-proofed **Foundations** to support our future growth

Our strategy will be deployed in three phases: reset, build and grow. The first phase is already well underway and has delivered a number of notable benefits for our customers.

Highlights of our Reset phase to date

Customer

Reconnecting with our customers and relaunching our brand proposition
Our success starts and ends with our customer. Getting closer to our most important stakeholders and understanding what they need has enabled us to develop a distinctive brand purpose, 'Proudly Putting Everyday Family Heroes First'. This has laid the foundations for our FY25 marketing strategy, 'We get you; we've got you,' which launched in March 2024 and will continue into the summer of this year and beyond. Through this initiative we are adopting a new approach to media, utilising a more diverse range of channels and partnerships to support our drive for consideration and footfall to physical stores and our online offer.

In 2023 we introduced Klarna as a flexible way to pay, in recognition of the fact that the cost-of-living crisis has led more families to spread the cost of their purchases without tapping into consumer credit. This approach has shown good traction in the FY, accounting for 12.9% of our total online sales.

We have also launched a new customer experience programme, our 'Smile Score', which utilises a best-in-class insight gathering and analysis capability. This gives us direct insight into what our customers want, need and how they are reacting to our in-store and online initiatives. The insight generated by these interactions has been supported by customers' high levels of loyalty and the swipe rate of MatalanMe cards in stores, which has risen to 60% at the close of the FY.

Highlights of our Reset phase to date (continued)

Product

Reinvigorating our proposition and re-engineering our value
There have been several key initiatives delivered in our trading and product areas, designed to bring greater value, style and choice to our customers. We have unlocked benefits in quality and margin through our value creation programme, whilst investing in our opening price points and improving our availability on core lines especially. In January we launched our value campaign, which invested £35m for over 1500 options, focussing on value for money and delivering clear price movement for our customers.

We have worked with key supplier partners closer to the UK to be able to design and source online-only ranges that complement our existing ranges. This has given us the opportunity to offer more variety in prints, colours and shapes to suit everyone, whilst benefiting from the speed to market route.

We are also conscious of our position in the communities we serve and have been reflecting this in our ranging development. We have launched a greater range of sizing in our women's division by introducing sizes 20-28 across core lines, introduced a wider range of skin-tone shapewear, and expanded our ranges for key family and cultural events, such as the celebration of Eid.

Outside of our own brand offering, we have launched over 35 new fashion brands through our Dropship proposition. The greater choice and responsiveness to trends to customers across each of our divisions has resulted in good participation, reflected in a peak share of online sales of 15%.

Enhancing our efficiency
Providing great value to customers requires an efficient operating engine, and we have put considerable effort into this in the past 12 months. We have worked with suppliers to streamline our packaging operations, increasing efficiency and simplicity for our logistics activities whilst reducing cost. We have also increased our resilience by moving to a dual provider model on shipping, providing flexibility in a world affected significantly by geo-political events and their impact on sourcing and shipping routes. We have adopted a similar route in our local shipping provision, ensuring our customers can get what they want, when they want it, with a market competitive 10pm order cut-off for next day delivery.

Across our online offer, we have landed a UK industry first innovation in partnership with Kin+Karta, using Generative AI to create product descriptions, at a rate of 100 every 30 minutes (compared to 100 per day manually). This activity generates rich, accurate product descriptions with minimal data input, leading to improved SEO and conversion rates.

Reach

Growing our presence and relevance
As an omnichannel retailer we are mindful of the need to keep expanding our reach across each of our routes to market, including our physical stores, our e-Commerce offering, and our international proposition. We opened two new stores in Winter 2023; one in Crewe and one in Portsmouth. Both stores are seeing performance ahead of expectations and we continue to manage a pipeline of future expansion opportunities.

Whilst noted in our previous annual report, our transition to THG's Ingenuity platform in March 2023 has been a significant undertaking. This move has enabled us to start to differentiate our online shopping experiences, whilst redeveloping and relaunching our app to enhance the end-to-end user experience. These changes have supported our marketing activity, enabling us to drive more traffic and generate more consideration for Matalan through customer-centric marketing.

Highlights of our Reset phase to date (continued)

People and Planet

Investing in our colleagues, who demonstrate industry leading engagement
At Matalan we want to do the right things for both colleagues and customers. One of the immediate observations from our new Executive team was that we had a colleague population who, despite their significant loyalty, had not seen associated investments in pay. In particular, we needed to address pay for our under 21 population in retail stores, who showed a high level of turnover, and our historical maternity and paternity provision. These areas have been addressed and we've seen an associated reduction in colleague turnover of 7%.

The above changes, plus the general progress across the business, has delivered industry leading internal engagement scores within our retail population. These teams, who are at the forefront of serving our customers, and comprise c.8k store colleagues in 227 stores spread across 8 geographical regions, showed a participation level of 97% and an engagement of 80%.

We have also continued to sponsor and support some fantastic causes which resonate with our colleagues and customers. Our strategic partnerships with NSPCC and Alder Hey Children's Hospital have continued to show their relevance and enabled us to play a role in national causes which play a direct role in family life.

Beyond our business, we remain concerned about and committed to the need for more sustainable practices across the industry in order to promote the future health of our planet. We are members of the Supplier Ethical Data Exchange (Sedex), and in the past year we have become signatories of Textile 2030 and the Ethical Trading Initiative (ETI) Base Code.

Foundations

Establishing future-proofed foundations for growth
The nature of Matalan's historic growth has meant there have been aspects of foundational capability which we've recognised the need to address. As a result, we have begun overhauling our capabilities and systems in data & insight, technology and automation, with a number of transformational projects in flight in these areas. We've also started to review our organisational design and culture to support our transformation journey and create a more sustainable business.

There have already been successes in this area from our focus on cost reduction and efficiency improvements, such as the value released through our GNFR review, our supply chain cost reduction and our warehouse and logistics operations simplification.

As we continue to deliver our 'reset' activity, we are also planning ahead to our 'build' and 'grow' phases.

Looking ahead to Build a Stronger Matalan

Customer

Relaunching our loyalty programme
We intend to build on the existing success of our loyalty offering by rewarding our customers further and providing more unique reasons to be a MatalanMe member. We have already started testing, learning and adopting a life stage approach to our personalisation. Improving our personalisation and our level of reward for our customers is a priority in the next phase of our work as we relaunch our platform, as is offering a range of unique benefits, services and experiences through affiliate partners.

Through our new brand proposition, we will also increase our proximity to and relevance with customers. We will continue to grow awareness in the market with our affiliate partners and our media activity, whilst increasing the value we can bring to our target markets.

Product

Continuing to modernise our proposition
FY25 will see Matalan continue to iterate and develop our product offering, providing customers with a greater level of value, style, and choice. We will continue to refine ranges whilst protecting our diversity of sizing and fit, reflecting the needs of our fashion focussed and value conscious customers. We will be investing in our core product set, whilst dialling up our difference for occasion wear, our trend and seasonal ranges, and incorporating an ever more popular set of licensed and branded products, both in store and online.

We also recognise improved performance in several of our ranges and intend to maximise our potential here. We have always been known for our holiday shop and intend to develop this further, whilst also building on our success in sports and athleisure through our Souluxe range. As a family destination, we also recognise an opportunity in school wear, and will be enhancing our year-round availability.

Reach

Providing greater choice and reasons to visit for our customers
Part of our heritage is family centricity. We know that generations of families shop with Matalan, and that a huge part of family life is celebrating events and moments. We aim to dial this up, helping people celebrate moments and generating excitement around our stores during national and local events. We are planning to grow our reach through partnerships which resonate with families, making Matalan a destination for our customers by offering more reasons to visit and dwell, driving greater footfall and consideration in a growing retail park market. Beyond physical locations, we are also developing partnerships which can add value in other aspects of our customers' lives in a way that is authentic to our brand.

We have seen success in our format, space and merchandising plans, and recognise the need to continue to update our physical locations following a history of underinvestment. We will continue to undertake our diligence in managing store leases, whilst proactively using new analytical capabilities to determine the right exit/entry points for our future estate, and managing a refresh and new store opening pipeline geared for growth.

We also intend to explore further the opportunities offered by technology in improving our omnichannel experience, increasing the efficiency of operations in our stores and warehousing, and reducing the friction within our service journeys. We recognise there is work to do in knitting together our channels in order to deliver seamless integration and a holistic customer experience, complimented with a full view of our customer driven by our loyalty platform. Each of these priorities will be addressed in a multi-year transformation programme.

Looking ahead to Build a Stronger Matalan (continued)

People & Planet

Building on early success to assure a bright future
We are on a journey of modernisation and cultural change within our business. We firmly believe that moving to an empowered, performance led model will unlock great benefits for the business, whilst adding more value to the work of our colleagues.

Building on the investments in FY24, we will be introducing a new colleague reward platform, introducing a range of new specialist capabilities to support our future growth, and investing in our leadership development. We will continue to promote our internal values ('Think Family', 'Think Customer', 'Be Real' and 'Be the Best'), whist improving our organisational design in several of our teams, including Transport, Trade, Finance and Customer.

In order to further develop the progress we have made in our ESG and sustainability activity, we will be investing in our capability in FY25. In addition to bringing in expertise, we will build out our partner roster to robustly inform and assure our plans and initiatives.

Foundations

Continuing to modernise our operations
Our ambitions require the continuing development of our internal capabilities, systems, data and technology. We have made a good start in the past year but as set out earlier, there is a 2 year programme of change which is required to deliver the required benefits to our organisation. FY25 will see us start to improve our warehouse management systems, overhaul our replenishment and forecasting capability, and upgrade our EPOS in order to deliver a truly omnichannel capability. It is important to note that we won't be standing still as we wait for this change to be delivered, as we are already on the journey and will continue to realise value as we remap key processes and change systems in preparation for, and through the delivery of, each change.

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 – Matalan's trading activities were negatively impacted by the COVID-19 pandemic and the UK government restrictions in response, as well as the disruptions caused both to the worldwide economy and International logistics.

Throughout the pandemic, the Matalan 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 all COVID-19 related restrictions the business has managed to unwind all 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 all deferred rent in line with negotiated agreements with our store landlords.

Principal risks and uncertainties (continued)

COVID-19 (continued) – at the time of writing, the threat of COVID-19 has been mitigated by the success of the worldwide vaccination programme and the entire Matalan store estate remains fully open with no further government restrictions in response to COVID-19 currently envisaged. Nevertheless, a resurgence in COVID-19 or the emergence of a new strain of the disease 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. This is further compounded by the uncertainty caused in part by the war in Ukraine and the conflict in Gaza, and in part by a sharp rise in worldwide interest rates 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 has developed its reporting around ESG, driven by the evolution of the business's ESG Working Group which reports directly to the ESG Steering Committee, whose standing membership includes Board representation covering all areas of the business. ESG is also embedded in the governance of the Group through its inclusion on the Board agenda at key times across the year. This evolution is planned to continue during FY25 through the appointment of a new Head of ESG, as the Group improves its transparency and reporting on ESG.

Competition – the UK retail sector is a highly competitive marketplace. Aggressive pricing and promotional activity from our competitors could cause a reduction in revenues and margin, whilst the introduction of new disruptor entrants particularly into the highly competitive online market could put pressure on market share.

In response to this, we actively seek to deliver on our core and distinct brand proposition to our customer focussed on family value through competitive pricing, and through the quality of our range, choice, style and service. The executive team actively seek to refine this proposition through feedback from our customers via our new customer experience programme, and by regularly reviewing market data, to identify changes in competitor behaviour, pricing and new retail trends.

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.

Principal risks and uncertainties (continued)

Supply Chain – operational issues within the supply chain would impact the service that the Group can provide to its customers. The unrest in the Middle East and the attacks on commercial shipping in the Red Sea have led to freight carriers diverting their shipping routes to detour around the Cape of Good Hope. This increases transit times by up to two weeks, and our trading teams have taken action in adjusting the timing of intake to mitigate these delays.

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 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 successfully recapitalised its business during FY23 with the issuance of new debt notes, all of which have maturity dates falling in 2027 and beyond. Further details regarding this recapitalisation exercise and the group debt structure 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 IFRS 9. The Group has a treasury policy in place which limits how much can be purchased on a rolling 30-month basis. In accordance with this policy, the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

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

Following the successful recapitalisation exercise in FY23, the majority of the Group's long-term interest-bearing debt liabilities are subject to fixed rates of interest. This fixed rate debt structure significantly mitigates the interest rate risk faced by the Group.

Nevertheless, the £75m New Priority Notes issued as part of the recapitalisation exercise are exposed to variable rates of interest with the interest rate tied to SONIA. As a result, the Group is actively monitoring changes in interest rates and will seek to hedge this interest rate exposure if required.

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.

Principal risks and uncertainties (continued)

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

During FY24 over 97% of Group revenue was 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. There are no other key performance indicators that the directors believe are relevant. Pre-IFRS 16 EBITDA before exceptional items is a profit of £52.8m (2023: loss of £(9.4)m), see note 8 to the financial statements for a reconciliation to the statutory results.

By order of the board

D R Williams
Director
21 June 2024

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRAURY 2024

The directors present their report for the 52 weeks ended 24 February 2024.

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 via an omni-channel model 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 Article 77 of the Companies (Jersey) Law, 1991.

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 (2023: £nil).

Dividends
No dividend has been paid by the Group in the period (2023: £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 Group'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 for financial period ending 24 February 2024 were 51 days (2023: 63 days) based on average daily purchases.

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.

The Statutory Board of the Group, of which Maryland Holdco Limited is the ultimate parent company, meet on at least a monthly basis with meetings held on a more regular frequency if circumstances require. The composition of the Board includes both Executive and Non-Executive members with the membership providing a diverse and wide variety of experience and insight across retail, business and the professional services. Where necessary the Board look to bolster that skill-set and expertise either through external advisers, temporary appointments or new permanent appointments.

The Board are responsible for setting colleague remuneration. In this capacity, the Board has a remit to focus on talent acquisition, development and retention, along with responsibility for ensuring employee incentives are appropriately set to reward employee, team and financial performance

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.

Stakeholder engagement is a key part of both the Board and Senior Management's remit with a clear focus on customers, colleagues, suppliers, investors and the wider stakeholder community.

As part of the strategic sales process completed in the prior financial period, the board of directors took all necessary steps, assisted by expert professional advice, to ensure the best possible outcome for the stakeholder community. In this capacity, the Board are confident that they achieved the best return for the Group's investors, whilst at the same time ensuring the continuation of the underlying business and thereby protecting colleague jobs and avoiding any detrimental impact to the Group's suppliers, landlords and other stakeholders.

The management functions are responsible for preparing the financial statements for Maryland Holdco Limited and its subsidiary undertakings 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 Group, supported by a risk governance structure with defined accountability.

The principal risks and uncertainties facing the Group are explained on pages 8-11. 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
Pursuant with Article 113 of Companies (Jersey) Law 1991, the auditor will be deemed to be reappointed and Forvis Mazars LLP will therefore continue in office.

By order of the board

D R Williams
Director
21 June 2024

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

The Directors are responsible for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for ensuring that the financial statements comply with The Companies (Jersey) Law, 1991 and safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group.

MARYLAND HOLDCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARYLAND HOLDCO LIMITED

Opinion

We have audited the financial statements of Maryland Holdco Limited (the 'parent company') and its subsidiaries (the 'group') for the 52 weeks to 24 February 2024 which comprise the Group and Company Income Statements, the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Cash Flows, the Group and Company Statement of Changes in Shareholder's Equity and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards in conformity with the requirement of the 'Company (Jersey) Law 1991'.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 24 February 2024 and of the group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARYLAND HOLDCO LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- whether proper accounting records have been kept by the company;
- whether proper returns adequate for the audit have been received from branches not visited by the auditor; and
- whether the company's accounts are in agreement with its accounting records and returns.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

MARYLAND HOLDCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARYLAND HOLDCO LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: tax legislation, employment regulation, health and safety regulation, anti-money laundering regulation and anti-bribery.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as Companies (Jersey) Law 1991 and tax regulations in the jurisdictions the group and parent company operates in.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of Management Override of Controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the occurrence assertion) and inventory valuation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARYLAND HOLDCO LIMITED (CONTINUED)

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the parent company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members as a body for our audit work, for this report, or for the opinions we have formed.

Lancaster

Charlene Lancaster (Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor

Forvis Mazars LLP
One St Peter's Square
Manchester
M2 3DE
United Kingdom
21 June 2024

MARYLAND HOLDCO LIMITED

INCOME STATEMENT

	Note	**Group 52 weeks ended 24 February 2024 £'m**	**Company 52 weeks ended 24 February 2024 £'m**	Group 65 day period ended 25 February 2023 £'m	Company 65 day period ended 25 February 2023 £'m
Revenue	4	**1,081.5**	**-**	65.3	-
Cost of sales (including exceptional items)	4	**(969.5)**	**-**	(77.1)	-
Gross profit/ (loss)	4	**112.0**	**-**	(11.8)	-
Administrative expenses (including exceptional items)	4	**(86.3)**	**-**	(5.4)	-
Operating profit/ (loss)	4	**25.7**	**-**	(17.2)	-
Operating profit/ (loss) pre-exceptional items		**33.6**	**-**	(9.3)	-
Exceptional items – cost of sales	31	**(3.6)**	**-**	(7.9)	-
Exceptional items – administrative expenses	31	**(4.3)**	**-**	-	-
Operating profit/ (loss)		**25.7**	**-**	(17.2)	-
Finance expenses	5	**(86.9)**	**-**	(6.9)	-
Finance income	5	**1.4**	**-**	-	-
Exceptional items – finance expenses	5/31	**(0.2)**	**-**	-	-
Net finance expenses		**(85.7)**	**-**	(6.9)	-
Loss before income tax		**(60.0)**	**-**	(24.1)	-
Income tax credit	10	**16.2**	**-**	0.9	-
Loss for the period		**(43.8)**	**-**	(23.2)	-

MARYLAND HOLDCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Group 52 weeks ended 24 February 2024 £'m	Group 65 day period ended 25 February 2023 £'m
Loss for the period	**(43.8)**	(23.2)
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss		
Cash flow hedges		
Fair value (loss)/ gain in the period	**(9.9)**	9.4
Tax element of cash flow hedges	**1.6**	(1.6)
Total items that may be reclassified to the income statement	**(8.3)**	7.8
Total comprehensive expenditure for the period	**(52.1)**	(15.4)
Hedging gains and losses transferred to inventory	**2.9**	(2.4)

The Company has no other comprehensive income in the current period (2023: £nil).

STATEMENT OF FINANCIAL POSITION AS AT 24 FEBRUARY 2024

	Note	**Group 2024 £'m**	**Company 2024 £'m**	Group 2023 £'m	Company 2023 £'m
Assets					
Property, plant and equipment	11	**159.2**	**-**	163.7	-
Right-of-use assets	25	**287.5**	**-**	331.9	-
Intangible assets	12	**133.8**	**-**	145.0	-
Goodwill	13	**3.4**	**-**	3.4	
Investments	14	**-**	**47.8**	-	47.8
Deferred tax asset	10	**22.1**	**-**	11.4	-
Total non-current assets		**606.0**	**47.8**	655.4	47.8
Inventories - goods for resale	15	**105.1**	**-**	137.3	-
Trade and other receivables	16	**34.6**	**-**	38.9	-
Financial assets - derivative financial instruments	20	**-**	**-**	5.6	-
Current tax asset		**-**	**-**	0.3	-
Restricted cash and cash equivalents	17	**3.9**	**-**	6.7	-
Unrestricted cash and cash equivalents	17	**122.7**	**-**	82.5	-
Total current assets		**266.3**	**-**	271.3	-
Total assets		**872.3**	**47.8**	926.7	47.8
Liabilities					
Financial liabilities – borrowings	18	**(0.9)**	**-**	(1.0)	-
Financial liabilities – derivative financial instruments	20	**(8.7)**	**-**	(6.0)	-
Short-term lease liabilities	25	**(92.3)**	**-**	(96.9)	-
Trade and other payables	19	**(153.2)**	**(3.1)**	(161.6)	(3.1)
Provisions for other liabilities and charges	21	**(1.6)**	**-**	(2.1)	-
Total current liabilities		**(256.7)**	**(3.1)**	(267.6)	(3.1)
Financial liabilities – borrowings	18	**(318.5)**	**-**	(278.3)	-
Financial liabilities – derivative financial instruments	20	**(1.5)**	**-**	-	-
Long-term lease liabilities	25	**(275.5)**	**-**	(312.6)	-
Trade and other payables	19	**(3.3)**	**-**	-	-
Deferred tax liabilities	10	**(33.2)**	**-**	(38.2)	-
Provisions for other liabilities and charges	21	**(5.9)**	**-**	(3.1)	-
Total non-current liabilities		**(637.9)**	**-**	(632.2)	-
Total liabilities		**(894.6)**	**(3.1)**	(899.8)	(3.1)
Net (liabilities)/ assets		**(22.3)**	**44.7**	26.9	44.7
Shareholders' equity					
Share capital	22	**-**	**-**	-	-
Capital contribution reserve	22	**44.7**	**44.7**	44.7	44.7
Hedge reserve	22	**-**	**-**	5.4	-
Retained earnings		**(67.0)**	**-**	(23.2)	-
Total shareholders' equity		**(22.3)**	**44.7**	26.9	44.7

The financial statements on pages 20 to 70 were approved by the board of directors on 21 June 2024 and signed on its behalf by:

J Whitfield
Director

D R Williams
Director

MARYLAND HOLDCO LIMITED

STATEMENT OF CASH FLOWS

	Note	**Group 2024 £'m**	Group 2023 £'m
Cash flows from operating activities			
Cash used in operations	23	**175.3**	(7.9)
Interest paid	5	**(66.6)**	(3.6)
Tax received	10	**2.5**	-
Net cash generated from/(used in) operating activities		**111.2**	(11.5)
Cash flows from investing activities			
Purchases of property, plant and equipment	11	**(24.4)**	(0.7)
Purchases of intangible assets	12	**(11.1)**	(1.0)
Cash acquired in business combination	30	**-**	105.2
Interest received	5	**1.4**	-
Net cash (used in)/generated from investing activities		**(34.1)**	103.5
Cash flows from financing activities			
Exceptional refinancing costs	5/31	**(0.2)**	-
Repayment of lease liabilities	25	**(64.5)**	(2.8)
Loan issuance	18	**25.0**	-
Net cash used in financing activities		**(39.7)**	(2.8)
Net increase in cash and cash equivalents		**37.4**	89.2
Cash and cash equivalents at the beginning of the period		**89.2**	-
Net cash and cash equivalents at the end of the period	17	**126.6**	89.2

The Company had no cash flows in the 52 weeks ended 24 February 2024 (2023: £nil). All transactions during the period were non-cash impacting.

MARYLAND HOLDCO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group

	Share capital	Capital contribution reserve	Hedge reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m
On incorporation	-	-	-	-	-
Comprehensive income					
Loss for the period	-	-	-	(23.2)	**(23.2)**
Total loss for the period	-	-	-	**(23.2)**	**(23.2)**
Other comprehensive income					
Cash flow hedges					
- fair value gain in the period	-	-	9.4	-	**9.4**
- tax element of cash flow hedges	-	-	(1.6)	-	**(1.6)**
Total cash flow hedges, net of tax	-	-	**7.8**	-	**7.8**
Total other comprehensive income, net of tax	-	-	**7.8**	-	**7.8**
Hedging gains and losses transferred to the cost of inventory	-	-	**(2.4)**	-	**(2.4)**
Changes in ownership interests					
Issue of new shares	-	44.7	-	-	**44.7**
Total changes in ownership interests	-	**44.7**	-	-	**44.7**
As at 25 February 2023	-	**44.7**	**5.4**	**(23.2)**	**26.9**
As at 26 February 2023	-	**44.7**	**5.4**	**(23.2)**	**26.9**
Comprehensive income					
Loss for the period	-	-	-	(43.8)	**(43.8)**
Total loss for the period	-	-	-	**(43.8)**	**(43.8)**
Other comprehensive income					
Cash flow hedges					
- fair value loss in the period	-	-	(9.9)	-	**(9.9)**
- tax element of cash flow hedges	-	-	1.6	-	**1.6**
Total cash flow hedges, net of tax	-	-	**(8.3)**	-	**(8.3)**
Total other comprehensive income, net of tax	-	-	**(8.3)**	-	**(8.3)**
Hedging gains and losses transferred to the cost of inventory	-	-	**2.9**	-	**2.9**
As at 24 February 2024	-	**44.7**	-	**(67.0)**	**(22.3)**

MARYLAND HOLDCO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Company	**Share capital** £'m	**Capital contribution reserve** £'m	**Hedge reserve** £'m	**Retained earnings** £'m	**Total equity** £'m
On incorporation	**-**	**-**	**-**	**-**	**-**
Comprehensive income					
Result for the period	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**
Changes in ownership interests					
Issue of new shares	-	44.7	-	-	44.7
Total changes in ownership interests	**-**	**44.7**	**-**	**-**	**44.7**
As at 25 February 2023	**-**	**44.7**	**-**	**-**	**44.7**
As at 26 February 2023	**-**	**44.7**	**-**	**-**	**44.7**
Comprehensive income					
Result for the period	-	-	-	-	**-**
Total comprehensive income	-	-	-	-	**-**
As at 24 February 2024	**-**	**44.7**	**-**	**-**	**44.7**

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.

2. Summary of material 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 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. The financial statements have been prepared over a 52 week period, and the comparatives are a short period of 65 days, incorporating the trade of the underlying Matalan Group of 30 days.

2.2 New standards, amendments to standards or interpretations

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

- IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Issued December 2021)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Issued May 2021)
- Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules (Issued May 2023)

The adoption of the above standards and interpretations did not result in any material changes to the Company or Group`s accounting policies or have any other material impact on the financial position or performance of the Company or Group.

2. Summary of material accounting policies (continued)

2.2 New standards, amendments to standards or interpretations (continued)

New accounting standards in issue but not yet effective for accounting periods beginning on or after 1 January 2024:

- Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Issued September 2022)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The adoption of the above standards and interpretations is not expected to lead to any material changes to the Company or Group`s accounting policies or have any other material impact on the financial position or performance of the Company or Group.

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.

2.3 Going concern

The period ended 24 February 2024 represented a challenging trading environment for the Matalan business and the wider retail sector. Consumer demand remained severely subdued throughout the period with high levels of inflation and high interest rates putting pressure on customers' disposable income and levels of discretionary spend.

Against this challenging market backdrop, the rapid rise of new disruptor companies into the UK E-commerce market put significant pressure on the Group's online market share, further exacerbated by early-life operational issues following the transition to our new online platform during the financial period.

As a result of these market challenges and their impact on consumer confidence, the business saw a decline in revenue during the financial period, but despite this managed to deliver an improvement in the Matalan Group's underlying profitability. This marked improvement in its trading profitability was driven by improved margins and lower levels of discounting, as a tighter stock-buy meant that the business did not need to repeat the levels of investment in promotional activity made in the previous financial period to stimulate sales volume and to clear excess inventory.

The business also managed to significantly reduce its supply chain costs, in particular benefitting from a reduction in freight costs. This reflected the unwind of the unfavourable shipping conditions seen in the prior year, with container rates returning to levels much closer to historic rates following successful contract renegotiations. This reduction in freight costs helped to mitigate a deterioration in our hedged currency rates as the fall in the exchange rate of sterling against the US dollar across Autumn 2022 started to feed through into the Group's hedged rates.

Through careful cost control the Group also managed to mitigate and offset the majority of the inflationary pressures facing the business, including National Minimum Wage increases, as well as the structural investments made to help drive the business forward.

As a result, the Matalan Group managed to deliver a significantly improved EBITDA figure, and as at 24 February 2024, the Group had strong liquidity including unrestricted cash and cash equivalents, per the balance sheet, excluding restricted cash holdings, of £122.7m.

2. Summary of material accounting policies (continued)

2.3 Going concern (continued)

Following the successful completion of the Strategic Sales Process on 26 January 2023, and the injection of new capital linked to this transaction, the Group has an appropriately leveraged and sustainable balance sheet with an extended debt maturity runway to 2027 and beyond.

The Group entered the financial period with a debt structure made up of Super Senior Notes of £61.2m with maturity date of January 2027, New Priority Notes of £75m with a maturity date of July 2027, and Senior Secured Notes of £200m with a maturity date of January 2028.
In June 2023, the Group also took advantage of an option negotiated as part of the transaction to draw down a further £25m of additional liquidity through the issuance of a second tranche of Super Senior Notes with a maturity date of January 2027.

There are no performance related covenants linked to any of the Group's debt instruments.
In addition to this second tranche of Super Senior Notes, the Group also managed to negotiate a level of additional optionality within the transaction to enable the injection of further liquidity into the Group should it be required.

The loan indentures for the £200m Senior Secured Notes included an optional PIK toggle meaning that the Group had the ability, should the cashflow require it, to PIK the first four coupon payments. Based on trading performance and cashflow forecasts the business took the decision not to exercise this option for the first three coupon payments. However, the business retains the option to PIK the fourth coupon payment in October 2024 which would enable the business to retain a further £10m of additional liquidity within the business if required.

In addition, the business has negotiated additional debt basket capacity at the Super Senior and Priority levels which would allow the business to raise a further £40m of additional finance within the new debt structure, with lender approval. This provides the business with the flexibility it needs to manage any unforeseen downturn in economic and trading conditions.

The Strategic Sales Process in January 2023 allowed the business to successfully address all of its short-term debt maturities with no negative impact on the trade and business activities of the Group, with all of its 227 UK stores, 47 International stores, online business, colleagues and supplier relationships trading as normal.

Nevertheless, the Group continues to operate against a challenging economic backdrop caused by the negative impact that the Cost-of-Living crisis, inflationary spikes and the hike in interest rates has had on overall consumer confidence and levels of discretionary spend amongst the Matalan customer base.

As part of the directors' going concern assessment, we have therefore considered the potential impact of these factors on both consumer demand and on the Group's cost base. 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. These forecasts include the FY25 budget along with FY26 expectations. Through a focus on improved customer value, product choice, investment in store experience and a stronger online channel, the business is expected to drive a return to growth, whilst the transformation plans, and improved product value initiatives brought in by the new Senior Management Team are expected to deliver an improvement in EBITDA profitability.

2. Summary of material accounting policies (continued)

2.3 Going concern (continued)

In response to the challenging macro-economic factors noted above, the Group's management have also considered a severe but plausible downside that business performance is significantly weaker than planned. This scenario assumes a 10% degradation in revenue from the original FY25 budget with an 8% degradation in revenue across FY26. Based on this severe but plausible downside scenario the business has sufficient mitigating levers available to it through reducing capital expenditure, management of stock intake and the ability to PIK interest payments, to ensure that the business maintains sufficient cash headroom throughout the forecast period. As the Group loan indentures do not include any performance related covenants, this downside scenario does not trigger any detrimental debt related consequences.

Therefore, having done this assessment, and taken into account the facilities and liquidity levers now available to the Group, the Board has concluded that Maryland Holdco Limited and the wider 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 financial statements.

Taking all of the above matters into account, the directors believe it is reasonable to anticipate that the Group's capital structure and liquidity is sufficient to meet its requirements over the next 12 months and have therefore concluded that it remains appropriate to adopt the going concern basis in the preparation of these financial statements.

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.

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 terminal inventory provision position, which management believe to be a reasonable reflection of possible outcomes, would be a maximum increase/(decrease) of £0.6m.

Details regarding the level of write-offs and provisions recognised against inventory during the current year are disclosed in note 15 and reflect the material nature of these amounts.

2. Summary of material accounting policies (continued)

2.4 Critical accounting estimates (continued)

(b) Business combinations

As part of the Matalan Group acquisition on 26 January 2023, we identified the assets and liabilities acquired. Attributing fair values to assets acquired and liabilities assumed as part of business combinations is considered to be a key judgement. The fair valuation exercise along with the purchase price allocation between the new debt and equity issuance was performed with assistance from an expert valuer to advise on the valuation techniques and key assumptions in the valuation, in particular, in respect of the valuation of the intangible assets, property, plant and equipment, and the favourable/unfavourable component of the Group's property portfolio.

Identification of the acquired assets and liabilities was performed based on the list of intangible assets and liabilities described in IFRS 3. The Matalan brand portfolio and franchise agreements recognised on acquisition were valued based on the multi-period excess earnings method, as deemed to be the most appropriate valuation methodology. The valuation of the unfavourable component of acquired leases was performed by Real Estate valuation experts based on estimated market rental values from external agents, market evidence of relevant transactions and market research from reputable real estate agencies.

(b) Business combinations (continued)

The IFRS 13 valuation of the debt and equity instruments issued as part of the strategic sales process was performed by valuation experts. Due to the complexity of the financial instruments, the allocation of the enterprise value across the debt and equity securities has been performed based on simulations using the Geometric Brownian Motion process. The choice of valuation methodologies and assumptions used in the valuations involve judgement, and as such represent a source of estimation uncertainty.

(c) Impairment

The Group has adopted an approach in line with IAS 36, to ensure that the entity's assets are not carried at more than their recoverable amount. For the purposes of determining whether impairment of assets has occurred, and the extent of any impairment loss or its reversal, the key assumptions management uses is estimating the cash generation of individual stores. The recoverable amount of each CGU is estimated based on the present value of the cashflows expected to be generated from each CGU, using store trading forecasts and an appropriate pre-tax discount rate. The recoverable amount of each CGU is compared to the carrying amounts of each store inclusive of a deemed allocation of group assets. The recoverable amount of each CGU is based upon future forecasts and management assumptions regarding growth rates, discounts rates and asset allocations and is consequently a source of estimation uncertainty. For the purposes of impairment testing, the brand and goodwill acquired as part of the Business Combination is allocated to the Cash Generating Unit (CGU) that is expected to benefit from the synergies of the combination. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

(d) Dilapidations

The Group includes a dilapidations provision within its financial statements to cover the cost of dilapidations in its store estate. The provision covers both the cost of making good the general wear and tear in the store estate in accordance with IAS 37, and an estimate of the cost to be incurred by the Group in restoring the underlying asset to the conditions required by the terms of the lease in accordance with IFRS 16. The provision represents a best estimate of expenditure required to settle the present obligation at the balance sheet date. Given the size of the store estate, the provision is measured on a probability-weighted expected value basis based upon an assessment of both the cost and probability of a store incurring dilapidation costs extrapolated over the total store population. In reaching this best estimate, management take into account the risks and uncertainties that surround the underlying events, and as such, this estimate is based upon historical experience and managements best knowledge at the balance sheet date.

2. Summary of material accounting policies (continued)

2.4 Critical accounting estimates (continued)

(e) Deferred Taxation

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted rates that are expected to apply when an asset is realised or a liability is settled. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs.

(f) Lease Interest Rates

The Group cannot readily determine the interest rate implicit in the lease, and therefore it uses its incremental borrowing rate to measure lease liabilities. The Incremental Borrowing Rate (“IBR”) is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The assessment of the IBR is management’s best estimate of the appropriate borrowing rate at inception of each lease and is based on both external macro-economic indicators and internal micro-economic factors around the Group borrowings and risk profile. As such it inherently involves management assumptions and judgements, and is consequently a source of estimation uncertainty.

2.5 Basis of consolidation

Maryland Holdco Limited, the ultimate parent Company of the Matalan Group, is owned by a variety of corporate shareholders, led by an ad-hoc group of four large global investment institutions, with no one party owning more than 25% of the share capital.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings.

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.

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 as a gain on bargain purchase.

2. Summary of material accounting policies (continued)

2.5 Basis of consolidation (continued)

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. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

2.6 Revenue

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

Retail revenue, which is net of returns, is recognised in the financial statements when control has passed to the customer at the point of sale. Sale of goods online are recognised when goods are delivered and title has passed. Returns include both actual returns, and the movement on the provision of expected returns.

Dropship revenue, where goods are provided by direct delivery from the manufacturer to customer, is recognised when goods are delivered and 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 at the point of despatch to our International franchise partners. Sales to the partners represent the cost of products sold to international Matalan franchisees plus a royalty mark up; all operating costs and revenues associated with the running of the international stores are incurred and generated by the franchisees.

Revenue from ancillary income streams are generated from sources that are complementary and ancillary to the primary trading activities of the business. These ancillary income streams include online fulfilment income, upstream and downstream supply income and income generated from recycling.

Income generated through Gift Cards are recognised in line with other revenue at the point the gift card is utilised as the payment method by the customer at the point of sale. For Matalan Gift Cards, at the point of expiration, any remaining funds will be recognised as revenue.

Sales returns are honoured within 28 days of purchase, and the expected level of returns is provided for within the balance sheet.

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. Summary of material accounting policies (continued)

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 5 years. Capitalised software costs include both direct external costs of goods and services and internal payroll related costs for employees who are associated with the software project. Development costs are recognised as intangible assets when the following criteria are met;

- It is technically feasible to complete the software so that it is available for use.
- Management intend to complete the software for use in the business.
- It can be demonstrated how the software will generate probable economic benefits in the future.
- Adequate technical, financial and other resources are available to complete the project.

Amortisation is charged to cost of sales or administrative expenses depending on the nature and purpose of the asset. On average, the computer software and associated costs have 1 year remaining amortisation period.

(b) Brands and Franchise Agreements

Intangible assets arising under a business combination (acquired intangible assets) are capitalised at fair value as determined at the date of acquisition and are stated at that fair value less accumulated amortisation and impairment losses.

The assets are amortised over their estimate useful lives, which are as follows:

Brand	15 years
Franchise agreements	7 years

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.

In accordance with IAS 36, management are required to identify cash generating units ("CGU") based on the smallest group of assets that includes the asset and generates cash inflows that are largely independent from other cash inflows from other assets or group of assets. On this basis, management have elected to treat each individual store as a separate CGU. The challenging economic conditions caused by the highly inflationary environment and rising interest rates, represents impairment indicators and as such all CGUs have been assessed for impairment at the balance sheet date. For the purposes of impairment testing, the brand and goodwill acquired as part of the Business Combination is allocated to the Cash Generating Unit (CGU) that is expected to benefit from the synergies of the combination. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

2. Summary of material accounting policies (continued)

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	4-7 years
Fixtures, fittings and IT hardware	2-14 years
Motor vehicles	8-10 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'. Assets under construction at year-end are reviewed as part of our annual impairment review. 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.

2.12 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, less attributable issue costs.

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 recognised within the income statement except when recognised in equity as qualifying cash flow hedges.

2. Summary of material accounting policies (continued)

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.

2.17 Derivative financial instruments
The Group uses forward foreign currency contracts to manage its exposure to fluctuating 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 economic 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. When forward contracts are used to hedge forecast transactions, the group generally designates the change in the fair value of the forward related to both the spot and forward elements as the hedging instrument.

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 are reclassified from equity and included in the initial cost of inventory when recognised on the balance sheet. The deferred amounts are ultimately recognised in profit and loss in cost of sales. 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.

2. Summary of material accounting policies (continued)

2.17 Derivative financial instruments (continued)

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 is recognised immediately in profit and loss, within other gains/(losses). 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, call deposits and receipts in transit, both for credit cards and cash in transit from the stores.

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.

2.21 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

The Group defines exceptional items presented in the income statement as those non-underlying gains or losses that are material in size, and/or relate to events which are unusual or infrequent in nature. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the group's underlying business performance.

In order for an item to be assessed as exceptional it should, typically, meet at least one of the following criteria;

- the gain or loss is so material in size that its separate recording is necessary to interpret trading performance in the normal course of business;
- it is unusual in nature or outside the normal course of business and as such does not reflect the standard operational activities of the Group;
- it arises from a major business change or restructuring event, or directly relate to an acquisition or divestment;
- its inclusion distorts the Group's underlying trading performance due to its irregular nature year on year

2. Summary of material accounting policies (continued)

2.22 Exceptional items (continued)
Events which may give rise to the classification of items as exceptional include;

- costs of major restructuring and reorganisation of the existing business,
- acquisition and similar costs related to business combinations or debt refinancings,
- gains or losses on the disposal or impairment of assets,
- and other significant non-recurring gains or losses.

2.23 Share capital
Ordinary shares are classified as equity.

2.24 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 (see note 2.26).

2.25 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.

2.26 Impairment
Trade receivables, intercompany receivables and other receivables are recorded at transaction price and subsequently measured at amortised cost.

Where applicable other financial assets, including short term investments with a maturity date of over 90 days are classified as either fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). There were no such assets on the balance sheet at the financial period end.

Trade receivables, and other receivables are measured at amortised cost and assessed for impairment based on the credit risk of these assets. The impairment for credit risk is recognised on an expected credit loss model based on management's expectation of losses without regard to whether an impairment trigger happened or not.

For the majority of trade customers, by value, to whom credit is extended the trade receivable is fully securitised thus mitigating the credit risk. As a result, the overall credit risk of trade and other receivables is low.

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, other receivables and contract assets are always measured at an amount equal to lifetime ECL.

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.

2. Summary of material accounting policies (continued)

2.26 Impairment (continued)
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.

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.

2.27 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. Summary of material accounting policies (continued)

2.28 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. The Group elects to present grants related to expenses as a reduction in the related expense line.

2.29 Right-of-use assets and lease liabilities
The lease portfolio of the Group is made up of its retail stores, distribution centres and head office, along with a small amount of equipment at the distribution centres. For these leases, the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

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, on the same basis as those of property, plant and equipment, 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. In addition, the right-of-use asset is periodically reviewed for impairment losses, and if any, adjusted for certain remeasurement of the lease liability.

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 Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources, and makes certain adjustments to reflect the terms of the lease and type of asset leased. 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.

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.

The IASB defines a lease modification as a change in the scope of a lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term), or the consideration for a lease, that was not part of the original terms and conditions of the lease.

2. Summary of material accounting policies (continued)

2.29 Right-of-use assets and lease liabilities (continued)
IFRS 16 states that a lease modification is only accounted for as a separate lease when both of the following criteria are met:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Management therefore assess lease variations (regears), lease extensions, and early lease terminations as lease modifications on the basis that there is a clear change in either the scope of the lease, or the total lease consideration. These lease modifications are not accounted for as a separate lease on the basis that only one of the IFRS 16 criteria has been met. In the case of a lease modification in relation to a full lease surrender & new lease, this represents both a change in the scope and consideration of the lease, and as such a separate lease is recognised.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.30 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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(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.

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 external foreign exchange dealers. 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, which is reviewed by management. 100% of projected purchases in US dollars qualify as 'highly probable' forecast transactions for hedge accounting purposes. The economic relationship is based on a 1:1 hedge ratio, as the underlying risk of the foreign currency contracts are identical to the hedged risk components. The main source of ineffectiveness is due to changes in the dollar payment profiles or changes in forecast transactions as a result of timing or value.

At 24 February 2024, 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 £3.3m 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 24 February 2024, 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 £4.1m 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 0.96%.

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. Following the Group's successful recapitalisation exercise on 26 January 2023, the majority of the Group's long-term borrowings are all fixed rate instruments which significantly reduces the Group's exposure to interest rate risk. However, the £75m New Priority Notes issued as part of this exercise are exposed to variable rates of interest with the interest rate based upon SONIA and a fixed margin.

The impact on profit or loss of a 10 basis-point shift in SONIA with all other variables held constant would be a maximum increase/decrease of £0.1m.

During the period, the Group's borrowings at fixed and variable rates were denominated in sterling.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(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, using major debit or credit cards or other (it is Group policy not to accept cheques).

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
A+	-	122.7	-

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 18) and cash and cash equivalents (note 17) 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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 month £'m	Between 1 and 3 months £'m	Between 3 months and 1 year £'m	Between 1 and 5 years £'m	Greater than 5 years £'m	Total £'m
At 25 February 2023						
Borrowings (before deduction of £22.6m issue costs) including interest payable	-	(7.3)	(18.5)	(467.5)	-	(493.3)
Trade and other payables	(161.6)	-	-	-	-	(161.6)
Lease liabilities	(8.3)	(17.3)	(78.9)	(321.1)	(171.7)	(597.3)
	(169.9)	**(24.6)**	**(97.4)**	**(788.6)**	**(171.7)**	**(1,252.2)**
At 24 February 2024						
Borrowings (before deduction of £16.3m issue costs) including interest payable	-	(16.1)	(19.8)	(439.8)	-	(475.7)
Trade and other payables	(151.7)	(0.3)	(1.2)	(3.3)	-	(156.5)
Lease liabilities	(8.7)	(17.3)	(75.8)	(304.0)	(153.7)	(559.5)
	(160.4)	**(33.7)**	**(96.8)**	**(747.1)**	**(153.7)**	**(1,191.7)**

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	Between 1 and 2 years £'m	Between 2 and 5 years £'m	Over 5 years £'m	Total £'m
As at 25 February 2023					
Cash flow hedges:					
Inflows	5.6	-	-	-	**5.6**
Outflows	(6.0)	-	-	-	**(6.0)**
	(0.4)	**-**	**-**	**-**	**(0.4)**
As at 24 February 2024					
Cash flow hedges:					
Inflows	-	-	-	-	-
Outflows	(8.7)	(1.5)	-	-	**(10.2)**
	(8.7)	**(1.5)**	**-**	**-**	**(10.2)**

At 24 February 2024, the Group held a total of $438.3m (2023: $437.0m) of instruments to hedge exposures to changes in foreign currency.

3. Financial risk management (continued)

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. The ratio is calculated as net debt divided by total capital.

Group net debt

	Note	**2024 £'m**	2023 £'m
Fair value of borrowings (net of issue costs)	17	**319.4**	279.3
Less: Net cash and cash equivalents (including restricted cash)	16	**(126.6)**	(89.2)
Net debt		**192.8**	190.1
Adjusted total capital		**(22.3)**	26.9
Gearing ratio		**(865)%**	707%

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 2024 £'m	Fair value level 2 2023 £'m	**Carrying amount 2024 £'m**	Carrying amount 2023 £'m
Financial assets measured at amortised cost				
Cash and cash equivalents	**-**	-	**126.6**	89.2
Trade and other receivables	**-**	-	**12.7**	13.1
	-	-	**139.3**	102.3
Financial assets measured at fair value through profit or loss				
Financial derivatives	**-**	5.6	**-**	5.6
	-	5.6	**-**	5.6

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

Financial liabilities

	Fair value level 2 2024 £'m	Fair value level 2 2023 £'m	**Carrying amount 2024 £'m**	Carrying amount 2023 £'m
Financial liabilities measured at amortised cost				
Trade and other payables	**-**	-	**(96.0)**	(99.4)
Other interest-bearing loans and borrowings (before issue costs)	**-**	-	**(334.8)**	(298.6)
	-	-	**(430.8)**	(398.0)
Financial liabilities measured at fair value through profit or loss				
Financial derivatives	**(10.2)**	(6.0)	**(10.2)**	(6.0)
	(10.2)	(6.0)	**(10.2)**	(6.0)

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 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 2024 £'m	Group 2023 £'m
Revenue	**1,081.5**	65.3
Total revenue	**1,081.5**	65.3
Cost of goods sold	**(586.0)**	(41.4)
Exceptional items – cost of goods sold	**(3.6)**	-
Selling expenses	**(323.6)**	(24.0)
Exceptional items – selling expenses	**-**	(7.9)
Distribution expenses	**(56.3)**	(3.8)
Total cost of sales	**(969.5)**	(77.1)
Gross profit/ (loss)	**112.0**	(11.8)
Administrative expenses	**(82.0)**	(5.4)
Exceptional items – administrative expenses	**(4.3)**	-
Total administrative expenses	**(86.3)**	(5.4)
Operating profit/ (loss)	**25.7**	(17.2)

The revenue analysis by geographic area for the 52 weeks ended 24 February 2024 is as follows:

	2024 £'m	2023 £'m
United Kingdom	1,051.5	62.0
Rest of the World	30.0	3.3

The performance of the Group is subject to seasonal peaks.

5. Net finance costs

	Group 2024 £'m	Group 2023 £'m
Finance costs and similar charges:		
Interest payable on notes	**(39.3)**	(2.9)
Other interest payable	**(3.5)**	(0.2)
Exceptional items – finance costs	**(0.2)**	-
IFRS 16 interest charge	**(44.1)**	(3.8)
Finance costs	**(87.1)**	(6.9)
Finance income:		
Interest receivable	**0.9**	-
Other interest receivable	**0.5**	-
Finance income	**1.4**	-
Net finance costs	**(85.7)**	(6.9)

For finance costs, in the period there are £20.3m (2023: £3.3m) of non-cash items included in the balance.

6. Directors' emoluments

The key management personnel of the Group includes the directors of other Group entities, including the Group's main trading entity Matalan Retail Limited.

The remuneration paid to these key management personnel of the Matalan Group during the financial period was:

	2024 £'m	2023 £'m
Aggregate emoluments (including benefits in kind)	**2.4**	0.2
Termination benefits	**0.9**	-
	3.3	0.2

The directors accrued £nil (2023: £nil) in defined contribution pension schemes during the period.

7. Employee information

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

	Group 2024 Number	Group 2023 Number
By function		
Selling and distribution	**9,802**	9,986
Administration	**659**	662
	10,461	10,648

	2024 £'m	2023 £'m
Staff costs (for the above persons)		
Wages and salaries	**147.3**	11.7
Social security costs	**9.9**	0.7
Other pension costs	**1.9**	0.2
Termination costs	**2.0**	-
	161.1	12.6

The Company does not have any employees (2023: nil).

8. EBITDA ("Non-GAAP Measure")

The Board relies primarily on pre IFRS 16 EBITDA before exceptional items to assess the performance of the Group. Pre IFRS 16 EBITDA before exceptional items for the period was a profit of £52.8m (2023: loss of £(9.4)m). This can be reconciled to statutory operating loss as follows:

	Group 2024 (under IFRS 16) £'m	Group 2023 (under IFRS 16) £'m
Operating profit/ (loss)	**25.7**	(17.2)
Depreciation and amortisation	**112.6**	9.5
Exceptional items	**7.9**	7.9
EBITDA before exceptional items	**146.2**	0.2

Reconciliation to IAS 17 EBITDA pre-exceptionals (Non-GAAP measure and disclosure)

EBITDA pre exceptionals under IFRS 16	**146.2**	0.2
Increase in cost of sales	**(91.0)**	(9.4)
Increase in administrative expenses	**(2.4)**	(0.2)
EBITDA pre exceptionals under IAS 17	**52.8**	(9.4)

The Group utilises IAS 17 EBITDA to assist investor understanding of trading performance. IAS 17 EBITDA is arrived at by taking IFRS 16 EBITDA and adding back IAS 17 operating lease charges.

9. Loss before income tax

	Group 2024 £'m	Group 2023 £'m
Loss on ordinary activities before tax is stated after charging:		
Cost of inventories recognised as an expense (included in cost of sales)	**585.4**	41.4
Net foreign exchange gains	**0.6**	-
Depreciation charge for the period on property, plant and equipment and right-of-use assets	**93.2**	7.5
Amortisation of intangible assets	**19.4**	2.0
Fees payable to the Group's Auditor:		
for the audit of the parent Company and consolidated financial statements and subsidiary companies	**0.7**	0.8
for other non-audit services	**-**	-

10. Income tax credit

Analysis of credit

	Group 2024 £'m	**Company 2024 £'m**	Group 2023 £'m	Company 2023 £'m
Current income tax				
UK corporation tax – current period	**-**	**-**	-	-
UK corporation tax – prior period	**(2.2)**	**-**	-	-
	(2.2)	**-**	-	-
Deferred income tax				
Deferred income tax relating to the origination and reversal of temporary differences	**(14.0)**	**-**	(0.9)	-
Effect of change in income tax rates	**-**	**-**	-	-
	(14.0)	**-**	(0.9)	-
Total income tax credit	**(16.2)**	**-**	(0.9)	-

The Group income tax credit for the period is higher (2023: lower) than the rate of corporation tax of 24.46% (2023: 19%). The rate of corporation tax is based on a weighted average rate. A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. On 24 May 2021, the increase in the corporation tax rate to 25% announced in the March 2021 Budget was substantively enacted (effective from 1 April 2023). This increases the Company's future current tax charge accordingly. The deferred tax asset at 24 February 2024 has been calculated based on 25% (2023: 25%).

The differences are explained below:

	Group 2024 £'m	**Company 2024 £'m**	Group 2023 £'m	Company 2023 £'m
Loss for the period	**(43.8)**	**-**	(23.2)	-
Income tax credit	**16.2**	-	0.9	-
Loss on ordinary activities excluding income tax	**(60.0)**	-	(24.1)	-
Loss on ordinary activities multiplied by the rate of corporation tax of 24.46%	**(14.7)**	-	(4.6)	-
Effects of:				
Non-deductible expenses /(income)	**1.1**	-	0.2	-
Deferred income tax not recognised	**0.4**	-	4.8	-
Change in the rate of tax	**(0.8)**	-	(1.3)	-
Adjustments in respect of prior periods	**(2.2)**			
Total income tax credit	**(16.2)**	-	(0.9)	-

For tax receipts, in the period there are £0.3m (2023: £nil) of non-cash items included in the balance.

10. Income tax credit (continued)

Deferred income tax

Deferred income tax is calculated in full on temporary differences on assets and liabilities using a tax rate of 25% (2023: 25% except for financial derivatives due to settle before April 2023 where deferred tax was calculated using a tax rate of 19%).

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

	Group 2024 £'m	**Company 2024 £'m**	Group 2023 £'m	Company 2023 £'m
Opening balance/ Acquired with business	(26.8)	-	(26.1)	-
Taken to other comprehensive income:				
- hedge reserve	1.6	-	(1.6)	-
Taken to income statement:				
- depreciation in advance of capital allowances	6.1	-	-	-
- temporary timing differences	8.0	-	0.9	-
- change in the rate of tax	-	-	-	-
At the end of the period	**(11.1)**	**-**	(26.8)	-

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

Group	**Assets**		**Liabilities**		**Net**	
	2024	2023	**2024**	2023	**2024**	2023
	£'m	£'m	**£'m**	£'m	**£'m**	£'m
Property, plant and equipment	11.0	4.9	-	-	11.0	4.9
Short-term temporary differences	11.1	6.5	(33.2)	(36.6)	(22.1)	(30.1)
Financial derivatives	-	-	-	(1.6)	-	(1.6)
Net deferred income tax assets/ (liabilities)	**22.1**	11.4	**(33.2)**	(38.2)	**(11.1)**	(26.8)

Company	**Assets**		**Liabilities**		**Net**	
	2024	2023	**2024**	2023	**2024**	2023
	£'m	£'m	**£'m**	£'mm	**£'m**	£'m
Property, plant and equipment	-	-	-	-	-	-
Short-term temporary differences	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-
Net deferred income tax assets/ (liabilities)	**-**	-	**-**	-	**-**	-

10. Income tax credit (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
On incorporation	-	-	-	-
Acquired with business combinations	-	4.2	6.5	10.7
Credited to the income statement	-	0.7	-	0.7
Taken directly to other comprehensive income	-	-	-	-
At 25 February 2023	-	4.9	6.5	11.4
At 26 February 2023	-	4.9	6.5	11.4
Credited to the income statement	-	6.1	4.6	10.7
Taken directly to other comprehensive income	-	-	-	
At 24 February 2024	**-**	**11.0**	**11.1**	**22.1**

The Group had an unrecognised deferred income tax asset of £23.0m (2023: £22.7m) at the end of the period attributable to tax losses calculated using a tax rate of 25% (2023: 25%).

Deferred income tax liabilities

	Financial derivatives £'m	Accelerated tax depreciation £'m	Short term temporary differences £'m	Total £'m
On incorporation	-	-	-	-
Acquired with business combinations	-	-	(36.8)	(36.8)
Credited to the income statement	-	-	0.2	0.2
Taken directly to other comprehensive income	(1.6)	-	-	(1.6)
At 25 February 2023	(1.6)	-	(36.6)	(38.2)
At 26 February 2023	(1.6)	-	(36.6)	(38.2)
Credited to the income statement	-	-	3.4	3.4
Taken directly to other comprehensive income	1.6	-	-	1.6
At 24 February 2024	**-**	**-**	**(33.2)**	**(33.2)**

The short term temporary differences relate to the deferred tax recognisable on the recognition of the brands, franchise agreements and right-of-use assets on Group acquisition.

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					
On incorporation	-	-	-	-	-
Acquired with business combination	86.9	0.3	66.4	12.0	165.6
Additions	0.3	0.1	0.7	0.1	1.2
At 25 February 2023	87.2	0.4	67.1	12.1	166.8
At 26 February 2023	87.2	0.4	67.1	12.1	166.8
Additions	21.9	0.1	5.5	1.6	29.1
Transfers	12.1	0.1	0.8	(13.0)	-
At 24 February 2024	**121.2**	**0.6**	**73.4**	**0.7**	**195.9**
Accumulated depreciation					
On incorporation	-	-	-	-	-
Charge for the period	1.4	-	1.1	-	2.5
Impairment	0.5	-	0.1	-	0.6
At 25 February 2023	1.9	-	1.2	-	3.1
At 26 February 2023	1.9	-	1.2	-	3.1
Charge for the period	19.2	0.1	13.6	-	32.9
Impairment	0.7	-	-	-	0.7
At 24 February 2024	**21.8**	**0.1**	**14.8**	**-**	**36.7**
Net book value					
At 24 February 2024	**99.4**	**0.5**	**58.6**	**0.7**	**159.2**
Net book value					
At 25 February 2023	85.3	0.4	65.9	12.1	163.7

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

For purchase of property, plant and equipment, in the period there are £4.7m (2023: £0.5m) of non-cash items included in the balance.

The Company has no property, plant and equipment (2023: £nil).

12. Intangible assets

Group	Brands £'m	Franchise agreements £'m	Computer software and associated costs £'m	Assets under construction £'m	Total £'m
Cost					
On incorporation	-	-	-	-	-
Acquired with business combination	102.1	10.9	27.1	5.3	145.4
Additions	-	-	1.2	0.4	1.6
At 25 February 2023	102.1	10.9	28.3	5.7	147.0
At 26 February 2023	102.1	10.9	28.3	5.7	147.0
Additions	-	-	2.9	5.3	8.2
Transfers	-	-	9.4	(9.4)	-
At 24 February 2024	**102.1**	**10.9**	**40.6**	**1.6**	**155.2**
Aggregate amortisation					
On incorporation	-	-	-	-	-
Charge for the period	0.6	0.1	1.3	-	2.0
At 25 February 2023	0.6	0.1	1.3	-	2.0
At 26 February 2023	0.6	0.1	1.3	-	2.0
Charge for the period	6.8	1.6	11.0	-	19.4
At 24 February 2024	**7.4**	**1.7**	**12.3**	**-**	**21.4**
Net book value					
At 24 February 2024	**94.7**	**9.2**	**28.3**	**1.6**	**133.8**
Net book value					
At 25 February 2023	101.5	10.8	27.0	5.7	145.0

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 Brand and franchise agreements intangible assets were recognised on acquisition and at the FY24 year-end have only incurred 13 months of amortisation. On average, the computer software and associated costs have 1 year remaining of the amortisation period.

For purchase of intangible assets, in the period there are £2.9m (2023: £0.6m) of non-cash items included in the balance due to the timing of capital payments.

The Company has no intangible assets (2023: £nil).

13. Goodwill

	Group 2024 £'m	Group 2023 £'m
Opening balance	**3.4**	-
Acquired with business combinations	**-**	3.4
Impairment	**-**	-
Closing balance	**3.4**	3.4

The acquisition of Matalan Finance PLC and its subsidiaries by Maryland Bidco Limited, an indirect subsidiary of Maryland Holdco Limited, in the prior financial period, was accounted for as a business combination with an excess of purchase consideration over fair value of the identifiable assets and liabilities of £3.4m; see note 30 for further details. This was classified as goodwill on the balance sheet, and is primarily growth expectations, expected future profitability, and the skill and expertise of the Matalan Retail workforce. Goodwill is not expected to be deductible for tax purposes.

14. Investments

Company

	Investment in subsidiaries £'m
Cost and net book value	
On incorporation	-
Fair value of equity issuance on business combination	47.8
At 25 February 2023	**47.8**
At 26 February 2023 and 24 February 2024	**47.8**

On 26 January 2023, Maryland Bidco Limited, an indirect subsidiary of Maryland Holdco Limited, acquired 100% of the share capital in Matalan Finance Plc, acquiring the company and its subsidiaries. As part of the transaction, Maryland Bidco Limited issued three new debt instruments, which also included the issuance of ordinary shares in Maryland Holdco Limited to the holders of these debt instruments for no cash consideration. The equity issuance has been recorded on initial recognition at a fair value of £47.8m. Given that there was no cash consideration in relation to this equity issuance, this is deemed to be a contribution to the investment in the subsidiary Maryland Midco Limited of £47.8m.

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 2% 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.

A list of all subsidiary undertakings is given in note 29.

15. Inventories

	Group 2024 £'m	Group 2023 £'m
Finished goods	**105.1**	137.3

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £585.4m (2023: £41.4m).

Finished goods stock is stated net of provisions. At 24 February 2024, the net realisable value inventory provision amounted to £6.7m (2023: £7.4m). The inventory provision is calculated by reference to the age of the Stock Keeping Units ("SKU") and the length of time it is expected to take to sell. The provisions applied in calculating the provision are as follows;

- Discontinued stock greater than 180 days: 100%
- Old season transitional stock: 27%
- Current season stock: 22%
- Current season transitional stock: 12%
- Next season and core stock: 0%

In addition, a provision is held to account for stock losses during the period since when the SKU was last counted.

The value of inventory against which a provision is held is £10.5m (2023: £10.4m).

During the period, the Group has charged £(16.0)m (2023: £(2.1)m) to the income statement in relation to inventories written off and provided against.

The Company has no inventories.

16. Trade and other receivables – current

	Group 2024 £'m	Group 2023 £'m
Trade receivables	**12.7**	13.1
Prepayments	**21.9**	25.8
	34.6	38.9

The Company is owed £nil by group undertakings at the period end (2023: £nil).

17. Cash and cash equivalents

	Group 2024 £'m	Group 2023 £'m
Restricted cash at bank	**3.9**	6.7
Unrestricted cash at bank and in hand	**122.7**	82.5
Total cash and cash equivalents	**126.6**	89.2

The Company has no cash and cash equivalents (2023: £nil).

The Group's cash and cash equivalents are denominated in sterling, US dollars and Euros.

The restricted cash and cash equivalents relates to funds cash collateralised in relation to issued letters of credit and bank guarantees. See note 18 for further details.

18. Financial liabilities – borrowings

	Group 2024 £'m	Group 2023 £'m
Current		
Option to draw £25.0m Super Senior Notes (fair valued)	**-**	(1.0)
Accrued interest on £25.0m 10.0% Super Senior Notes (Tranche 2)	**(0.9)**	-
	(0.9)	(1.0)
Non-current		
£61.2m 10.0% Super Senior Notes (Tranche 1) (fair valued and net of £3.4m issue costs (February 2023: £4.3m)) maturity date 2027	**(63.4)**	(61.8)
£25.0m 10.0% Super Senior Notes (Tranche 2) (net of £nil issue costs (February 2023: £nil)) maturity date 2027	**(25.0)**	-
£75.0m SONIA plus 5.5% Priority Notes (fair valued and net of £4.2m issue costs (February 2023: £5.3m)) maturity date 2027	**(75.9)**	(75.9)
£199.8m 10.0% Senior Secured Notes (fair valued and net of £8.7m issue costs (February 2023: £9.7m)) maturity date 2028	**(154.2)**	(140.6)
	(318.5)	(278.3)

The Company has no borrowings (2023: £nil).

Borrowings are all denominated in sterling at 24 February 2024. Issue costs of £19.5m 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.

18. Financial liabilities – borrowings (continued)

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 remained available for drawdown for up to six months after the transaction date, and was fully drawn down in June 2023.

On 7th November 2023, Maryland Bidco Limited cancelled £205,000 worth of unclaimed 10% Senior Secured Notes due 2028, which were returned to the Company at the end of the Holding Period under the terms of the Holding Period Trust Deed dated 18 January 2023. This reduced the capital value of the issued notes from £200.0m to £199.8m.

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, with £3.1m of issue costs allocated against the new equity.

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 2024 £'m	Group 2023 £'m
Less than one year	**-**	-
One to five years	**361.0**	336.2
Five to ten years	**-**	-
	361.0	336.2
Accrued interest	**0.9**	-
IFRS 9 fair value adjustment	**(26.2)**	(37.6)
Unamortised issue costs	**(16.3)**	(19.3)
	319.4	279.3
Current	**0.9**	1.0
Non-current	**318.5**	278.3
	319.4	279.3

18. Financial liabilities – borrowings (continued)

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 the Group 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 24 February 2024, the table below reflects the usage of the AF (ancillary facility):

	Group 2024 £'m	Group 2023 £'m
Letters of credit	**-**	4.2
Guarantees	**3.9**	2.5
Unused	**4.1**	1.3
Total	**8.0**	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.

19. Trade and other payables

	Group 2024 £'m	Group 2023 £'m
Trade payables	**(96.0)**	(99.4)
Other tax and social security payables	**(20.0)**	(19.5)
Other creditors	**(7.5)**	(3.2)
Accruals	**(33.0)**	(39.5)
	(156.5)	(161.6)

	Group 2024 £'m	Group 2023 £'m
Current	**(153.2)**	(161.6)
Non-current	**(3.3)**	-
	(156.5)	(161.6)

For the prior financial period ending 25 February 2023, £1.1m has been reclassified from accruals to provisions in relation to potential future insurance claims.

The Company owes group undertakings £3.1m (2023: £3.1m) at the period end. Amounts owed to group undertakings are repayable on demand and therefore presented as current. The non-current liability represents capital financing for environmentally sustainable store improvements, including LED lighting.

20. Derivative financial instruments

Group

	2024		2023	
	Assets	**Liabilities**	Assets	Liabilities
	£'m	**£'m**	£'m	£'m
Forward foreign exchange contracts	**-**	**(10.2)**	5.6	(6.0)
Total	**-**	**(10.2)**	5.6	(6.0)
Less non-current portion:				
Forward foreign exchange contracts	**-**	**(1.5)**	-	-
Non-current portion	**-**	**(1.5)**	-	-
Current portion	**-**	**(8.7)**	5.6	(6.0)

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 £(5.4)m (2023: £5.4m). The amount that was transferred from equity to the initial cost of inventory, and then to the income statement in the period was £nil. The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to £nil.

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 24 February 2024 was $438.3m (2023: $437.0m).

The total principal value of forward foreign exchange contracts due to mature, converted into Pound Sterling at the contract rate, is as follows:

	2024	2023
	£'m	£'m
Maturing within one year	**295.0**	364.7
Maturing between one to two years	**60.6**	-
	355.6	364.7

The net fair value of losses as at 24 February 2024 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £(10.2)m (2023: £(0.4)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	**2024**	2023
	£'m	£'m
Maturing within one year	**(8.7)**	(0.4)
Maturing between one to two years	**(1.5)**	-
Maturing between two and five years	**-**	-
	(10.2)	(0.4)

21. Provisions for other liabilities and charges

Group

	Other Provisions £'m	**Dilapidations £'m**	**Onerous contracts £'m**	**Total £'m**
At 26 February 2023	(1.4)	(2.8)	(1.0)	(5.2)
Charged in the period	(0.2)	(3.1)	-	(3.3)
Released in the period	0.3	-	0.7	1.0
At 24 February 2024	**(1.3)**	**(5.9)**	**(0.3)**	**(7.5)**

	2024 £'m	2023 £'m
Analysis of total provisions:		
Current	**(1.6)**	(2.1)
Non-current	**(5.9)**	(3.1)
	(7.5)	(5.2)

For the prior financial period ending 25 February 2023, £1.1m has been reclassified from accruals to provisions in relation to potential future insurance claims. In addition, a dilapidations provision of £2.8m has been reclassified from current to non-current in the prior financial period.

The dilapidation represents the liability required at the end of the lease to restore the property to its original condition at commencement of the lease. The provision is calculated using historic dilapidations occurred on store closures and applying it to the current estate, taking into consideration expected future estate closures, inclusive of any lease extensions. This provision will unwind over the average lease length of 10 years.

The acquired Group in previous years recognised a provision relating to an onerous contract. 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%.

22. Share capital and reserves

Ordinary share capital

Group and Company

	0.00001p ordinary shares Number	Total value £
Issued and fully paid	10,000,000	1.0
At 25 February 2023 and 24 February 2024		

Reserves

Hedge reserve
The hedge reserve gain of £nil (2023: £5.4m) 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 contribution reserve
On 26 January 2023, Maryland Bidco Limited, an indirect subsidiary of Maryland Holdco Limited, acquired 100% of the share capital in Matalan Finance Plc, acquiring the company and its subsidiaries. As part of the transaction, Maryland Bidco Limited issued three new debt instruments, which also included the issuance of ordinary shares in Maryland Holdco Limited to the holders of these debt instruments for no cash consideration.

A total of 10,000,000 new ordinary shares were issued by Maryland Holdco Limited at a par value of 0.00001p, and a total nominal value of £1. The equity issuance has been recorded on initial recognition at a fair value of £47.8m, with the amounts in excess of par value reflected through the capital contribution reserve. Issue costs of £3.1m have been allocated against the new equity, and have been net against the capital contribution reserve.

23. Cash flows from operating activities

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

	Note	**Group 2024 £'m**	Group 2023 £'m
Cash generated from continuing operations			
Loss for the period		**(43.8)**	(23.2)
Adjustments for:			
Tax	10	**(16.2)**	(0.9)
Finance cost	5	**86.9**	6.9
Finance income	5	**(1.4)**	-
Exceptional finance costs	5	**0.2**	-
Depreciation	11/25	**93.2**	7.5
Amortisation of intangibles	12	**19.4**	2.0
Impairment of loss-making stores	31	**2.9**	7.3
Impairment of PPE in closed stores	31	**0.7**	0.6
Adjustment for inventory provisions	15	**(0.7)**	0.3
Hedge accounting		**-**	(0.4)
Operating cash flows before movements in working capital		**141.2**	0.1
Movements in working capital			
Decrease/(increase) in inventories		**26.8**	(20.6)
Decrease/(increase) in trade and other receivables		**4.2**	(13.4)
Increase in trade and other payables		**3.1**	26.0
Net cash flows from operating activities		**175.3**	(7.9)

The Company had no cash flows in the 52 weeks ended 24 February 2024 (2023: £nil).

24. Reconciliation of debt

Group

	2024			2023		
	Loans and borrowings £'m	**Lease liabilities £'m**	**Total £'m**	Loans and borrowings £'m	Lease liabilities £'m	Total £'m
Opening balance	**(279.3)**	**(409.5)**	**(688.8)**	-	-	-
Acquisitions	-	-	**-**	(276.4)	(408.7)	(685.1)
Loan issuance	(25.0)	-	**(25.0)**	-	-	-
Repayment of lease liabilities	-	64.5	**64.5**	-	2.8	2.8
Interest paid	27.2	39.4	**66.6**	-	3.6	3.6
Amortisation of issue costs	(3.0)	-	**(3.0)**	(0.2)	-	(0.2)
Interest expense	(39.3)	(44.1)	**(83.4)**	(2.7)	(3.8)	(6.5)
Lease modifications and additions	-	(18.1)	**(18.1)**	-	(3.4)	(3.4)
Closing balance	**(319.4)**	**(367.8)**	**(687.2)**	(279.3)	(409.5)	(688.8)

Repayments on lease liabilities, interest paid and repayment of borrowings are cash flows. Interest expenses are included within the repayment of lease liabilities. Amortisation of issue costs and lease modifications and additions are non-cash items.

25. Leases

a. Right-of-use assets

	Stores £'m	Warehouse and Other £'m	Total £'m
Cost			
On incorporation	-	-	-
Acquired with business combination	284.7	55.5	340.2
Modifications	3.0	1.0	4.0
At 25 February 2023	287.7	56.5	344.2
At 26 February 2023	287.7	56.5	344.2
Additions	4.4	2.8	7.2
Modifications	8.2	4.4	12.6
Disposals	(1.0)	-	(1.0)
At 24 February 2024	**299.3**	**63.7**	**363.0**
Accumulated depreciation			
On incorporation	-	-	-
Charge for the period	4.6	0.4	5.0
Impairment	7.3	-	7.3
At 25 February 2023	11.9	0.4	12.3
At 26 February 2023	11.9	0.4	12.3
Charge for the period	56.8	3.5	60.3
Impairment	2.9	-	2.9
At 24 February 2024	**71.6**	**3.9**	**75.5**
Net book value			
At 24 February 2024	**227.7**	**59.8**	**287.5**
Net book value			
At 25 February 2023	275.8	56.1	331.9

The Group's leases are primarily the UK retail stores and distribution centres out of which the Matalan Group operates. The lease portfolio includes only one lease that is subject to variable lease payments dependent on a non-index linked metric. Such variable lease uplifts should only be recognised when the qualifying conditions occur. As the conditions which trigger this uplift have not been met, the variable uplift has not been recognised.

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

25. Leases (continued)

b. Lease liabilities

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

52 weeks ended 24 February 2024 – Leases under IFRS 16	**2024 £'m**
Interest on lease liabilities	44.2
Income from sub-leasing right-of-use assets presented within interest	(0.1)

65 day period ended 25 February 2023 – Leases under IFRS 16	**2023 £'m**
Interest on lease liabilities	3.8
Income from sub-leasing right-of-use assets presented within interest	-

Amounts recognised in statement of cash flows	**2024 £'m**
Interest paid in respect of lease liabilities	39.4
Repayment of lease liabilities	64.5

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.

2024 Lease liabilities	**2024 £'m**
Within one year	**101.7**
Between one and two years	**92.6**
Between two to five years	**211.4**
Over five years	**153.7**
Total	**559.4**

2023 Lease liabilities	2023 £'m
Within one year	104.5
Between one and two years	97.8
Between two to five years	223.3
Over five years	171.7
Total	597.3

Set out below are the carrying amounts of lease liabilities;

	2024 £'m	2023 £'m
Current	**92.3**	96.9
Non-current	**275.5**	312.6
	367.8	409.5

For the prior financial period to 25 February 2023, the lease liability split was re-assessed and £30.1m was reclassified from non-current to current.

26. Capital commitments

The capital expenditure for the Group that has been contracted for but not provided at 24 February 2024 was £5.9m (2023: £16.8m). The Company has £nil capital commitments at 24 February 2024 (2023: £nil).

27. Contingent liabilities

An unlimited guarantee under a composite accounting agreement operates for all Group company bank accounts. Group facilities as disclosed in note 18 are secured by fixed and floating charges on all the assets of the Group.

28. 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. The balance of the related transactions outstanding at 24 February 2024 is £nil (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.

29. Subsidiary companies and ultimate controlling party

	Principal activity	**Ownership**	**Country of incorporation**
UK companies			
Maryland Midco Limited	Holding company	100%	Jersey
Maryland Bidco Limited	Holding company	100%	England and Wales
Matalan Finance Plc	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
HPO1 Nominees Limited	Distribution	100%	England and Wales
Matalan Direct Limited	Retail	100%	England and Wales
Matalan AF Limited	Finance company	100%	England and Wales

Except for Maryland Midco Limited, which is a wholly owned subsidiary of Maryland Holdco Limited and directly held, all other companies are held indirectly via subsidiary undertakings.

With the exception of Maryland Midco Limited and Maryland Bidco Limited, all other entities were acquired on 26 January 2023 when Maryland Bidco Limited acquired the entire share capital of Matalan Finance plc.

No parties hold more than 25% of the issued share capital in Maryland Holdco Limited, and so the directors consider there to have been no ultimate controlling party throughout the period.

30. Business combinations

On 26 January 2023, Maryland Bidco Limited, an indirect subsidiary of Maryland Holdco Limited, acquired 100% of the issued share capital and voting rights in Matalan Finance plc and its subsidiaries, which includes the principal trading subsidiary, Matalan Retail Limited ("Matalan"). Matalan is a British fashion and homeware retailer, with stores in the United Kingdom as well as franchise stores in 14 other countries, in addition to an ecommerce channel.

The acquisition was undertaken to deliver a de-levered and sustainable balance sheet for the acquired Group, to ensure the long-term viability of the business and to provide a platform to derive a return to strong and sustained growth.

The acquisition has been accounted for as a business combination using the acquisition method of accounting in accordance with IFRS 3 Business Combinations and consequently the Matalan assets acquired, and liabilities assumed, have been recorded by the Group at fair value, with an excess of purchase consideration over fair value of the identifiable assets and liabilities being classified as goodwill in the balance sheet.

The fair value assigned by the Matalan business combination as at the acquisition date are:

	Note	Carrying amount at acquisition £'m	Fair value adjustment £'m	Fair value at acquisition £'m
Property, Plant and Equipment	11	170.1	(4.5)	165.6
Intangible assets	12	36.9	108.5	145.4
Right-of-use assets	25	328.0	12.2	340.2
Inventories		117.7	-	117.7
Trade and other receivables		21.8	-	25.4
Financial assets – derivative financial instruments		3.5	-	3.5
Current tax assets		0.3	-	0.3
Cash and cash equivalents		105.2	-	105.2
Financial liabilities – derivative financial instruments		(13.3)	-	(13.3)
Trade and other payables		(133.6)	-	(133.4)
Deferred tax liability	10	10.6	(36.7)	(26.1)
Loan issuance		(113.6)	-	(113.6)
Provision for other liabilities and charges		(4.1)	-	(4.1)
Lease liabilities	25	(430.6)	21.9	(408.7)
Fair value of net assets acquired				**204.1**
Purchase considerations				
Cash paid				**-**
Fair value of debt and equity instruments issued				**207.5**
Total purchase consideration				**207.5**
Goodwill				**3.4**

Goodwill
Goodwill of £3.4m is primarily growth expectations, expected future profitability, and the skill and expertise of the Matalan Retail workforce. Goodwill is not expected to be deductible for tax purposes.

30. Business combinations (continued)

The fair value attributed to property, plant and equipment was £165.6m. The fair valued property, plant and equipment primarily represents alterations to leasehold premises and fixtures, fittings and IT hardware, which held a net book value of £170.1m on the acquired Groups' balance sheet.

The fair value attributed to intangible assets was £145.4m, and primarily represents the brand, franchise agreements and existing software costs, which held a net book value of £36.9m on the acquired Groups' balance sheet. The brand and franchise agreements were fair valued using the multi-period excess earnings method, which uses a number of estimates regarding the amount and timing of future cash flows. The key assumptions in the cash flows are forecasted revenue and EBIT. The net book values of the existing software costs were deemed to be representative of their fair values as at the valuation date. In accordance with the Groups' policy on impairment assessments per note 2, the assets were assessed for impairment at the period end. The fair value and estimated useful lives of intangibles assets at the acquisition date were as follows:

	Fair Value £'m	Useful Life Years
Brand	**102.1**	15
Franchise Agreements	**10.9**	7
Computer software and associated costs	**32.4**	3-10

As the Matalan Group leases its entire store estate, distribution centres and head office there is also a requirement to reassess the acquired Group's lease liability at the acquisition date using the remaining lease payments and revised incremental borrowing rate of the acquiree. This resulted in an increase to the right-of-use asset of £80.7m to bring the right-of-use asset in line with the reassessed lease liability at the acquisition date. A further adjustment was also made to the right-of-use asset of £(68.5)m to reflect favourable and unfavourable lease terms compared to the market terms in force at the acquisition date. The fair value attributed to right-of-use assets was £340.2m, which carried a net book value of £328.0m on the acquired Groups' balance sheet.

Total acquisition costs of £28.8m have been incurred by Matalan, which included legal, advisory and other professional costs. £22.6m of these costs have been capitalised against the debt and equity, and £6.2m recognised prior to acquisition in the acquired Group's financial statements within exceptional expenses.

Matalan's results have been consolidated into the Group's results from 26 January 2023. For the period from acquisition to 25 February 2023, Matalan's revenue was £65.3m and contributed an operating loss of £11.8m to Group losses. If the acquisition had taken effect at the beginning of the previous reporting period (27 February 2022), the total revenues of the combined Group for the prior financial year to 25 February 2023 would have been £1,153.4m and an operating profit of £5.2m. This information does not purport to represent the comparative results of the combined Group that actually would have occurred had the acquisition taken place on 27 February 2022.

In addition to the purchase consideration of £1, Maryland Bidco Limited acquired and settled the Matalan Group borrowings at the acquisition date. The Bantry Bay asset backed term loan of £60m, negotiated in July 2022, was repaid in full following the issuance of new Super Senior Notes of £61.2m with a maturity date of January 2027. The £350m 6.75% First Lien Secured Notes were replaced by the issuance of new Senior Secured Notes of £200m with a maturity date of January 2028. The £80m Second Lien Secured Notes were acquired by Maryland Bidco Limited for a nominal sum of £1 with the entirety of this debt released as part of the recapitalisation exercise. The £50m debt and associated PIK interest owed to the former shareholder was unconditionally released and discharged.

In addition, New Priority Notes of £75m with a maturity date of July 2027 were issued injecting additional liquidity into the Group. All of the new classes of debt were issued along with the allocation of shares in the Group's new holding company Maryland Holdco Limited.

The fair value of the new debt issued at acquisition, and the accompanying equity issuance, was £343.6m.

31. Exceptional items

Exceptional items are comprised as follows:

	Group 2024 £'m	Group 2023 £'m
Impairment of stores	**(2.9)**	(7.3)
Impairment of Property, Plant and Equipment in closed stores	**(0.7)**	(0.6)
Exceptional items – cost of sales	**(3.6)**	(7.9)
Restructuring costs	**(2.0)**	-
Dual running costs	**(2.3)**	-
Exceptional items – administrative expenses	**(4.3)**	-
Finance expenses	**(0.2)**	-
Exceptional items – finance expenses	**(0.2)**	-
Total exceptional items	**(8.1)**	(7.9)

Impairment of stores
During the 52 weeks ended 24 February 2024, the carrying value of the right-of-use asset was impaired by £2.9m (2023: £7.3m) after a full CGU impairment assessment of the store portfolio. Based upon this review, management deemed it necessary to impair the right-of-use assets on a number of stores, including 5 stores marked for closure in FY25, where the value in use of these stores over their remaining lease life was deemed insufficient to cover the remaining carrying value of the store assets.

Impairment of property, plant and equipment
During the 52 weeks ended 24 February 2024, property, plant and equipment with a carrying value of £0.7m (2023: £0.6m) relating to a number of stores either closed during FY24 or marked for closure in FY25 were impaired by the Group as management have deemed that the Group will not derive any future financial benefit from these assets.

Restructuring costs
Following a number of employment contracts being terminated in the period, restructuring costs of £2.0m (2023: £nil) have been incurred in the year.

Dual running costs
During the 52 weeks ended 24 February 2024, the Group incurred one-off costs of £2.3m (2023: £nil) associated with the dual running costs of the e-commerce platform as a result of the orderly migration to the THG Ingenuity online platform and the need for the availability of a contingency solution post go-live.

Finance expenses
During the year, the Group incurred exceptional finance costs in relation to the refinancing exercise of £0.2m (2023: £nil). These refinancing costs represent the final fees associated with the restructuring of the business completed in January 2023, fees associated with the drawdown of the Super Senior Notes (Tranche 2) facility and advisory support with the appropriate accounting treatment and fair valuation of the Business Combination.