

REGISTERED NUMBER: 08420456

MATALAN DIRECT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018

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MATALAN DIRECT LIMITED

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MATALAN DIRECT LIMITED

DIRECTORS AND ADVISERS

Directors

J N Mills

S Quigley (Resigned 17 May 2017)

S M Hill (Appointed 22 August 2017)

M L Lang (Resigned 24 August 2017)

Company secretary

W G Lodder

Registered office

c/o Matalan Limited

Perimeter Road

Knowsley Industrial Park

Liverpool

L33 7SZ

Independent auditor

KPMG LLP

Statutory Auditor

1 St Peters' Square

Manchester

M2 3AE

Solicitor

DLA Piper LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3DL

Banker

Lloyds Bank plc

King Street

Manchester

M2 4LQ

MATALAN DIRECT LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018

The directors present their annual strategic report and the audited financial statements for the 52 weeks ended 24 February 2018.

Results

The loss for the period was £760.2k (2017: £2,914.0k) arising from trade as an online retailer in the first half of the financial year and premises costs thereafter. The Company has net liabilities of (£3,853.5k) (2017: net liabilities of (£3,093.3k)).

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 Company's finance department.

Business Review

The Company ceased to trade on 31st August 2017. The intention is to liquidate the Company in due course.

Credit and Liquidity - These risks have been addressed in section 3 of the Notes to the Financial Statements.

By order of the board



S Hill

Director

25 May 2018

MATALAN DIRECT LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 FEBRUARY 2018

The directors present their report for the 52 weeks ended 24 February 2018.

Directors

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

Principal activities

The Company has ceased trading. Prior to August 2017, the principal activities of the Company were the sale of home furnishings through an online website.

Dividends

No dividend has been paid by the Company in the current or prior period.

Directors' indemnities

During the period and up to the date of signing the financial statements, the Company maintained third party indemnity insurance for its directors and officers as defined by Section 234 of the Companies Act 2006.

Going concern

The trade in Matalan Direct Limited has been integrated into another Group company whose intention is to liquidate the company in due course. Therefore, the financial statements have not been prepared on a going concern basis. The effect of this is explained in note 2.

Employees

Information regarding employee remuneration can be found in note 6.

Political Donations

During the period the Company made political donations of £nil (2017: £nil).

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 Company'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 Company's auditor is aware of that information.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



S Hill
Director
25 May 2018

MATALAN DIRECT LIMITED

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATALAN DIRECT LIMITED

Opinion

We have audited the financial statements of Matalan Direct Limited for the period ended 24 February 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 24 February 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 2.3 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Strategic Report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover these reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in these reports for the financial year is consistent with the financial statements; and
- in our opinion these reports have been prepared in accordance with the Companies Act 2006.

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATALAN DIRECT LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

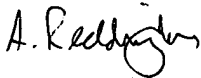
Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Reddington (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Chartered Accountants and Statutory Auditor

1 St Peter's Square
Manchester
M2 3AE
21st May 2018

MATALAN DIRECT LIMITED

INCOME STATEMENT

	Note	52 weeks ended 24 February 2018 £'000	52 weeks ended 25 February 2017 £'000
Revenue	4	551.1	1,262.0
Cost of sales	4	(620.0)	(1,733.8)
Gross profit	4	(68.9)	(471.8)
Other Income	4	57.2	352.3
Total Other Income	4	57.2	352.3
Administrative Expenses	4	(933.7)	(3,301.2)
Operating loss	4	(945.4)	(3,420.7)
Loss before income tax	7	(945.4)	(3,420.7)
Income tax credit	8	185.2	506.7
Loss for the period		(760.2)	(2,914.0)

The Company has no other comprehensive income/(expenditure) other than the loss for the period.

MATALAN DIRECT LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 24 FEBRUARY 2018

	Note	2018 £'000	2017 £'000
Assets			
Intangible assets	10	-	-
Property, plant and equipment	9	-	44.8
Total non-current assets		-	44.8
Property, plant and equipment	9	16.2	-
Trade and other receivables	11	39.0	139.2
Inventory		-	29.1
Cash and cash equivalents	12	24.8	345.5
Total current assets		80.0	513.8
Total assets		80.0	558.6
Liabilities			
Trade and other payables	13	(3,933.5)	(3,651.9)
Total current liabilities		(3,933.5)	(3,651.9)
Total liabilities		(3,933.5)	(3,651.9)
Net liabilities		(3,853.5)	(3,093.3)
Capital and reserves			
Share capital	14	1,600.0	1,600.0
Retained earnings		(5,453.5)	(4,693.3)
Total shareholders' equity		(3,853.5)	(3,093.3)

The financial statements on pages 7 to 22 were approved by the Board of directors on 25 May 2018 and signed on its behalf by:



S Hill

Director

Matalan Direct Limited

Registered number: 08420456

MATALAN DIRECT LIMITED

STATEMENT OF CASH FLOWS

	Note	52 weeks ended 24 February 2018 £'000	52 weeks ended 25 February 2017 £'000
Cash flows from operating activities	15	(1,264.4)	(2,486.7)
Net cash generated from operating activities		(1,264.4)	(2,486.7)
Cash flows from investing activities			
Purchase of property, plant and equipment		(0.2)	(17.9)
Proceeds from sale of property, plant and equipment		-	2.9
Net cash used in investing activities		(0.2)	(15.0)
Cash flows from financing activities			
Proceeds from borrowings		943.9	2,700.0
Issue of share capital		-	-
Net cash used in financing activities		943.9	2,700.0
Net (decrease)/increase in cash and cash equivalents		(320.7)	198.3
Cash and cash equivalents at the beginning of the period		345.5	147.2
Cash and cash equivalents at the end of the period	12	24.8	345.5

MATALAN DIRECT LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 March 2016	1,600.0	(1,779.3)	(179.3)
Comprehensive income:			
Loss for the period	-	(2,914.0)	(2,914.0)
Total transactions with owners	-	(2,914.0)	(2,914.0)
As at 25 February 2017	1,600.0	(4,693.3)	(3,093.3)
As at 26 February 2017	1,600.0	(4,693.3)	(3,093.3)
Comprehensive income:			
Loss for the period	-	(760.2)	(760.2)
Total transactions with owners	-	(760.2)	(760.2)
As at 24 February 2018	1,600.0	(5,453.5)	(3,853.5)

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a private limited liability company and is incorporated and domiciled in the UK. The address of its registered office is c/o Matalan Limited, Perimeter Road, Knowsley Industrial Park, L33 7SZ.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation these 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. In previous years, the financial statements have been prepared on a going concern basis. During the financial year, the trade in Matalan Direct Limited was integrated into another Group company in order to facilitate future growth. The intention of the Group is to liquidate the company in due course, and therefore, the financial statements have not been prepared on a going concern basis. No adjustments were necessary to the amounts of the net assets included in these financial statements.

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

2.2 New standards, amendments to standards or interpretations

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

The Company has not early adopted the following standards and statements which are not yet effective. The adoption of these standards is not expected to have a material impact on the Company's accounts when adopted, except where stated:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 Share-based payments
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 16 Leases. The new standard is effective for annual reporting periods beginning on or after 1 January 2019.

The Company intends to adopt the new standards and amendments no later than their applicable date, subject to endorsement by the EU.

2.3 Going concern

In previous years, the financial statements have been prepared on a going concern basis. During the financial year, the trade in Matalan Direct Limited was integrated into another Group company in order to facilitate future growth. The intention of the Group is to liquidate the company in due course, and therefore, the financial statements have not been prepared on a going concern basis. No adjustments were necessary to the amounts of the net assets included in these financial statements.

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

2.4 Revenue

Revenue, which excludes value added tax, represents the value of goods sold through our online website and through the Matalan Stores.

Revenue, which is net of returns, is recognised in the financial statements when the goods are delivered to the customer as the risks and rewards of ownership are passed to the customer on delivery.

2.5 Intangible assets

Goodwill is an intangible asset and is tested annually for impairment.

2.6 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.

2.7 Property, plant and equipment

On initial classification as held for sale, non-current assets have been measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories and financial assets, which continue to be measured in accordance with the Company's accounting policies.

In the prior year 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:

Computer Equipment	3 years
Fixtures and Fittings	4 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 operating expenses in the income statement.

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

2.8 Foreign currency transactions

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

2.9 Operating leases

Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

Lease incentives to enter into new operating leases are deferred and released to the income statement on a straight-line basis over the lease term.

Current and non-current deferred income arises from rent free period and reverse premium incentives received on property leases which are held on the statement of financial position and released to the income statement on a straight line basis over the lease term.

2.10 Current income tax

Current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected.

2.11 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 income 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.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

2.13 Dividends

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

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.14 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company 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.

2.15 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 provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

2.16 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.

3. Financial risk management

The financial risk management of the Company is managed by the Group. The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's risk management is managed by the Group programme that focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

3.1 Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions 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.

Management does not expect any losses from non-performance by counterparties. The main counterparties dealt with in the period by the Group include Lloyds Bank plc and Barclays Bank plc.

The majority of receivables held by the Company are inter-company balances. Therefore, the credit risk of the Company is significantly reduced as these balances are supported by the Group.

MATALAN DIRECT LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****3. Financial risk management (continued)****3.2 Liquidity risk**

Liquidity risk is managed on a group basis.

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 keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising borrowing facilities and cash and cash equivalents 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 Company is party to a group cash pooling arrangement with other group companies.

4. Operating loss

	2018 £'000	2017 £'000
Revenue	551.1	1,262.0
Cost of goods sold	(449.1)	(772.6)
Selling Expenses	(96.8)	(636.9)
Distribution expenses	(74.1)	(324.3)
Total cost of sales	(620.0)	(1,733.8)
Gross profit	(68.9)	(471.8)
Other Income	57.2	352.3
Total Other Income	57.2	352.3
Administrative expenses	(933.7)	(3,301.2)
Administrative expenses	(933.7)	(3,301.2)
Net loss	(945.4)	(3,420.7)

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Directors' emoluments

The remuneration paid to the directors of Matalan Direct Limited was:

	2018 £'000	2017 £'000
<u>Aggregate emoluments (including benefits in kind)</u>	<u>24.2</u>	<u>112.0</u>

Amounts paid to the highest paid director:

	2018 £'000	2017 £'000
<u>Aggregate emoluments</u>	<u>16.7</u>	<u>100.0</u>

In addition to the above Director services were provided by a third-party company and £5.5k was paid for these services (2017: £44.4k).

From September 2017 the directors' remuneration for their services to the Company was borne by a fellow group company.

6. Employee information

The average number of persons employed during the period was:

	2018 Number	2017 Number
By function		
Admin	13	47

	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	415.8	1,776.9
Social security costs	45.9	178.2
	<u>461.7</u>	<u>1,955.1</u>

The number of persons employed at the year end is nil.

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Loss before income tax

	2018 £'000	2017 £'000
Loss before income tax is stated after charging:		
Depreciation charge for the period on property, plant and equipment	28.8	24.3
Impairment of intangible fixed assets	-	956.5
Fees payable to the Company's Auditor:		
for the audit of Matalan Direct Limited and its financial statements	-	12.0
Operating lease rentals	154.7	121.6

The audit fee for the Company amounting to £8,525 is borne by a fellow group company in this financial year. The total fee for the Group is £0.1m (2017: £0.1m). A detailed breakdown of all audit and non-audit fees payable to the auditor can be found in the financial statements of Missouri Topco Limited.

8. Income tax expense

Analysis of expense

	2018 £'000	2017 £'000
Current income tax		
UK corporation tax – current year	(185.2)	(505.1)
Adjustments in respect of previous periods	-	(1.6)
Total income tax credit	(185.2)	(506.7)

The income tax expense for the period is lower than (2017 lower than) the standard rate of corporation tax in the UK of 19.09% (2017: 20%). The rate of corporation tax is based on a weighted average rate. A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 24 February 2018 have been calculated based on these rates.

The differences are explained below:

	2018 £'000	2017 £'000
Loss before income tax	(945.4)	(3,420.7)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19.09% (2017: 20%)	(180.5)	(684.2)
Effects of:		
Expenses not deductible for tax purposes	0.1	0.1
Change in rate of deferred income tax	(0.5)	(1.1)
Adjustments in respect of previous periods	-	(1.6)
Deferred tax not provided on impairment of Goodwill	(4.3)	180.1
Total income tax credit in the period	(185.2)	(506.7)

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Property, plant and equipment

	Computer Equipment £'000	Office Equipment £'000	Total £'000
Cost			
At 28 February 2016	48.9	17.2	66.1
Additions	17.3	0.6	17.9
Disposals	(4.7)	-	(4.7)
At 25 February 2017	61.5	17.8	79.3
At 26 February 2017	61.5	17.8	79.3
Additions	0.2	-	0.2
At 24 February 2018	61.7	17.8	79.5
Accumulated depreciation			
At 28 February 2016	9.3	2.7	12.0
Charge for the period	19.9	4.4	24.3
Disposals	(1.8)	-	(1.8)
At 25 February 2017	27.4	7.1	34.5
At 26 February 2017	27.4	7.1	34.5
Charge for the period	22.5	6.3	28.8
At 24 February 2018	49.9	13.4	63.3
Net book value			
At 24 February 2018	11.8	4.4	16.2
Net book value			
At 25 February 2017	34.1	10.7	44.8

Depreciation is charged to administrative expenses in the income statement. At the year end the tangible fixed assets have been transferred to tangible current assets as the accounts are not being prepared on a going concern basis, for the reasons stated in note 2.

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Intangible assets

	Goodwill £'000	Total £'000
Cost		
At 28 February 2016	956.5	956.5
Impairment	(956.5)	(956.5)
At 25 February 2017	-	-
At 26 February 2017	-	-
At 24 February 2018	-	-
Net book value		
At 24 February 2018	-	-
Net book value		
At 25 February 2017	-	-

11. Trade and other receivables - current

	2018 £'000	2017 £'000
Amounts owed by group undertakings	-	37.0
Amounts owed by other related parties	-	6.7
Prepayments	31.7	76.5
VAT	7.3	19.0
	39.0	139.2

12. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	24.8	345.5

The Company's cash and cash equivalents are denominated in Sterling.

13. Trade and other payables - current

	2018 £'000	2017 £'000
Trade payables	(12.8)	(287.9)
Amounts owed to group undertakings	(3,805.8)	(3,047.1)
Other tax and social security payable	-	(46.8)
Other payables	-	(108.3)
Accruals	(114.9)	(161.8)
	(3,933.5)	(3,651.9)

Amounts owed to group undertakings are repayable on demand and therefore presented as current.

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Share capital and reserves

Ordinary share capital

	2018 £	2017 £
Issued and fully paid		
1,600,000 (2017: 1,600,000) ordinary shares of £1 each	1,600,000	1,600,000

15. Cash flows from operating activities

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

Cash generated from operations:

	Note	2018 £'000	2017 £'000
Operating loss		(945.4)	(3,420.7)
Adjustments for:			
Depreciation	9	28.8	24.3
Impairment	10	-	956.5
Operating cash flows before movements in working capital		(916.6)	(2,439.9)
Movements in working capital:			
Decrease/(increase) in inventories		29.1	(29.1)
Decrease in other receivables		100.3	145.9
(Decrease) in trade and other payables		(477.2)	(163.6)
Net cash flows from operating activities		(1,264.4)	(2,486.7)

16. Operating lease commitments

At 24 February 2018 the Company had total future aggregated minimum lease payments commitments under non-cancellable operating leases which fall due as follows:

	2018 £'000	2017 £'000
Within one year	69.0	154.7
Between two and five years inclusive	-	69.0
Over five years	-	-
	69.0	223.7

The Company leases office premises. The remaining lease term is 0.5 years and will not be renewed.

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Capital commitments

The Company has no capital commitments at 24 February 2018 (2017: £nil).

18. Contingent liabilities

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

19. Related party transactions

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

	2018	2017
	£'000	£'000
Transactions with fellow group undertakings:		
Funds received	981.0	2,700.0
Group relief payable	(185.2)	(506.7)
Operating expenses paid by other group undertakings	(57.2)	(352.3)
Operating expenses	90.7	354.3
	<u>829.3</u>	<u>2,195.3</u>
Amounts owed by group undertakings	-	37.0
Amounts owed to group undertakings	<u>(3,805.8)</u>	<u>(3,047.1)</u>

Key management are the directors of the Company. The compensation paid or payable to key management for employee services is included in note 5.

During the financial period the Company entered into transactions, in the ordinary course of business, with other related parties as follows:

During the period the company received income of £61.3k for IT consultancy services provided to a company associated with the Hargreaves family, (2017: £1,249.9k). At the end of the period £4.8k remains outstanding (2017: £6.7k).

During the period the company received income of £24.0k from the rental of office space to companies associated with the Hargreaves family (2017: £nil). At the end of the period £nil is outstanding (2017: £nil).

All of the above transactions have taken place at levels not materially different to commercial terms.

MATALAN DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Ultimate parent company

The directors regard Matalan Limited, registered address is Matalan Limited, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ, as the immediate parent company. According to the register kept by the Company, Matalan Limited has a 100% interest in the equity capital of Matalan Direct Ltd at 24 February 2018. The directors regard Missouri Topco Limited, registered address is Missouri Topco Limited, 1st Floor, Tudor House, Le Bordage, St Peter Port, Guernsey, GY1 1DB, as the ultimate parent company. The Company regards the Hargreaves family as the ultimate controlling party throughout the period.

Missouri Topco Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 24 February 2018. The consolidated financial statements of Missouri Topco Limited are available from Matalan, Perimeter Road, Knowsley Industrial Park, Liverpool, L33 7SZ.