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MARYLAND HOLDCO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 28 FEBRUARY 2026

MARYLAND HOLDCO LIMITED

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MARYLAND HOLDCO LIMITED

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MARYLAND HOLDCO LIMITED

STRATEGIC REPORT FOR THE 53 WEEKS ENDED 28 FEBRUARY 2026

The directors present their annual strategic report and the audited financial statements for the 53 weeks ended 28 February 2026.

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. As a result, the consolidated financial statements of Maryland Holdco Limited incorporate all of the trading activities of the Matalan Group, including its UK omnichannel trade across stores and online, as well as its international franchise business.

The Group achieved Earnings before interest, tax, depreciation and amortisation ("EBITDA") before exceptional items of £159.4m (2025: £148.3m). See note 8 to the financial statements for EBITDA reconciliation to the statutory results. The Group achieved pre IFRS 16 EBITDA before exceptional items of £69.4m (2025: £56.1m). See note 8 to the financial statements for reconciliation of pre IFRS 16 EBITDA to the statutory results. It should be noted that the year to 28 February 2026 incorporates 53 weeks compared to 52 weeks in the prior year. The overall effect of this is to increase both sales and expenses. Consequently the business review below compares a 53 week year in the financial period ended 28 February 2026 to a 52 week year in the financial period ended 22 February 2025.

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 its UK stores, International franchise stores and online business continuing to trade, and our colleagues and supplier relationships continuing as usual.

Acquisition Accounting
On 26 January 2023, the Maryland Holdco Limited Group acquired the Matalan Group, made up of Matalan Finance Plc and its subsidiary undertakings. This acquisition of the Matalan Group met 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.

Acquisition Accounting (continued)
As a result of this exercise, the non-current assets of the Group, including the Matalan Brand, International Franchise Agreements and Right of Use Assets are reflected at fair value, as are the Group non-current liabilities including borrowings and lease liabilities.

Business review

Revenue was £986.8m in the 53 weeks ended 28 February 2026 (2025: £985.0m). The year-on-year increase being driven by the additional trading week and strong online growth, offset by a slight reduction in store sales despite a strong improvement in trading performance from our refreshed store estate. Despite the additional trading week, the Group's International franchise business saw a year-on-year sales decline as a number of key franchise partners in the Middle East and Mediterranean coast were negatively impacted by the challenging macro-economic conditions and regional political instability.

The gross profit for the 53 weeks ended 28 February 2026 was £122.5m, including £5.8m of exceptional costs (2025: £97.7m, including £10.9m of exceptional costs).This was delivered through significant savings made in the bought-in price of goods sold and a marked focus on profitability. The gross margin improvement also benefitted from savings in our contractual freight rates, and favourable gains achieved on our foreign exchange hedges, which more than offset the investment made in the year in discounting to drive footfall in a highly competitive and promotional market.

The £5.8m of exceptional costs (2025: £10.9m) included within cost of sales relate to £4.2m of store impairments (2025: £9.4m) split across the right-of-use-assets, tangible fixed assets and intangible fixed assets on a number of stores which are either earmarked for closure or where trading performance is insufficient to justify the carrying value of their assets. In addition, the business made a £1.6m impairment (2025: £1.5m) to the intangible fixed asset relating to its International Franchise business to reflect the continuing challenging macroeconomic and political conditions in its key franchise partner countries in the Middle East and around the Mediterranean coast. Please refer to note 30 for further details.

Administrative expenses (including exceptional items) were £85.4m for the 53 weeks ended 28 February 2026 (2025: £79.0m). The year-on-year increase is primarily driven by higher payroll costs in the 53 weeks ended 28 February 2026 due to an additional week of pay and following increases to employer National Insurance Contributions and the National Living Wage, as well as investments made by the business in our colleagues and structural investments made to help deliver the strategy and drive the business forward. Offsetting these inflationary and regulatory cost increases, the business managed to deliver efficiencies across its distribution centres through its investment in automation and across its store estate through the introduction of standardisation of processes through its 'One Best Way' initiative.

Exceptional administrative expenses of £5.7m were charged to the income statement in the 53 weeks ended 28 February 2026 (2025: £2.2m). The exceptional administrative costs include a number of restructuring costs, along with the expensing of implementation costs related to the ongoing transition of our Warehouse Management System to a SaaS operating model with the business also incurring dual running costs in the year in relation to this project to ensure full business continuity. Please refer to note 30 for further details.

Operating profit pre-exceptional items was £48.6m in the 53 weeks ended 28 February 2026 (2025: £31.8m).

Pre IFRS 16 EBITDA was £69.4m in the 53 weeks ended 28 February 2026 (2025: £56.1m), see note 8 to the financial statements for a reconciliation to the statutory results.

Business Review (continued)

Net finance costs (including exceptional items) were £91.8m for the 53 weeks ended 28 February 2026 (2025: £85.9m), including £46.2m of interest payable on the Group issued loan notes, inclusive of the annual unwind of the IFRS 9 fair valuation of the loan notes issued at acquisition (2025: £42.8m).

Exceptional finance costs of £1.1m were incurred in the 53 weeks ended 28 February 2026 (2025: £nil) representing the professional & transactional fees payable in relation to the £25.0m Super Senior loan note issuance in April 2025.

The Group generated exceptional finance income of £0.5m (2025: £nil) in relation to the fair value gain achieved on the acquisition and cancellation of £5.0m Senior Secured Notes in September 2025.

The statutory loss before tax was £54.7m (2025: £67.2m).

FY26 comprised of 53 weeks, compared to 52 weeks in the prior year. The additional trading week contributed £15.6m revenue, £2.0m gross profit and £(0.4)m pre-IFRS 16 EBITDA during the year. On a like-for-like basis, revenue was £971.2m (2025: £985.0m), gross profit was £120.5m (2025: £97.7m) and pre-IFRS 16 EBITDA was £69.8m (2025: £56.1m).

Additions to property, plant and equipment of £35.0m (2025: £15.2m) and intangible assets of £11.3m (2025: £5.1m), during the period include significant capital expenditure on our retail estate including investment in our store refresh programme & store relocations, as well as investment in our supply chain infrastructure and automation at our Knowsley Distribution Centre, and significant spend on our IT technology and systems including the upgrading of our store EPOS system, and preliminary work on our warehouse management and stock replenishment systems.

The total cash and cash equivalents balance as at 28 February 2026 was £79.9m (2025: £89.9m), inclusive of restricted cash of £3.3m (2025: £3.9m). The £10.0m net decrease in cash and cash equivalents during the financial period primarily relates to the significant capital investment made to support the delivery of the 5-year strategic plan offset by the net £20.0m increase in the issued Group loan notes.

Development and performance of the business

Strategic Overview

Matalan's ambition is to be the leading destination for everyday style, quality and value for her and her loved ones. Our refined FY27 strategic framework sharpens the proposition, strengthens execution and builds the foundations for sustainable, profitable growth across channels and markets. Over the past 12 months, we have strengthened leadership and aligned the business behind a clearer long-term direction, improving pace, focus and delivery discipline.

During the year, we completed a strategic review informed by a clearer view of our customer, proposition, routes to market and critical capabilities. This work sharpened our FY27 priorities while ensuring we continue to build the capabilities required to support growth through FY28 and FY29.

The review has now been embedded into our multi-year strategic plan, creating a clearer link between ambition, financial objectives and execution. It provides a more coherent framework for prioritisation, investment and delivery, and supports the next phase of transformation.

Our strategy is focused on serving customers more effectively by combining everyday style, quality and value with a stronger, more connected operating model. We are building a business that is clearer in proposition, more responsive to customer needs and better positioned to grow across digital, physical and international channels.

Strategic Overview (continued)

We will deliver this through a focused set of strategic priorities that strengthen the proposition, expand reach and improve execution:

- Strengthening our **Customer** offer through brand, loyalty and more relevant communications
- Expanding our **Reach** across stores, digital and new markets
- Elevating our **Product** proposition to become the destination for everyday style, quality and value
- Investing in our **People and Ways of Working** to improve accountability, pace and execution
- Building the **Technology, Data and Supply Chain Foundations** required to support long-term growth

These priorities are organised through four strategic pillars:

- Growing our **Customer** engagement through loyalty, brand and CRM acceleration
- Extending our **Reach** through digital acceleration, unified commerce, property and international growth
- Improving our **Product** through retail growth, stock optimisation and stronger range construction
- Embedding stronger **People, Talent and Culture** to support delivery and performance

These four pillars are supported by the development of a set of key enabling capabilities:

- Strengthening our **Enablers** through technology, supply chain, data, sourcing and sustainability

Our strategy is being delivered in phases, moving from reset to build and then growth. Having stabilised the business and strengthened core capabilities, we are now focused on the FY27 priorities that will build momentum and improve confidence in delivery.

Highlights of our Reset phase to date

Customer

Reconnecting with our customers
Our reset phase has focused on rebuilding relevance with the customer. We clarified our brand purpose, strengthened customer insight and improved the quality of our marketing execution so that activity is more targeted, more consistent and more effective in driving consideration and footfall.

We also strengthened customer choice and convenience through more flexible payment options and a more responsive digital proposition. These changes have improved conversion and supported a more accessible shopping journey online.

At the same time, we introduced stronger feedback loops through our customer experience programme and increased the use of loyalty data to improve decision-making. This gives us a clearer, more direct view of what matters most to customers and where we need to act.

Product

Reinvigorating our proposition and re-engineering our value
Within Product, the reset phase has focused on restoring clarity in the proposition and improving the economics of value. We have taken action to improve opening price points, protect availability on core lines and increase confidence in quality and margin.

Strategic Overview (continued)

Highlights of our Reset phase to date (continued)

We also increased speed and flexibility by working more closely with selected supplier partners, enabling broader online choice and faster reaction to demand. This supports a more responsive offer while complementing the core range.

During FY26, we reorganised our trading, sourcing, marketing and e-commerce teams under our new Chief Product, Brand & Commercial Officer, Sarah Welsh, to create a more joined up and cohesive trading strategy. This unified approach to trade allows us to deliver new season launches earlier, bolder and with more conviction. This new approach has been tailored around a true focus on our customer and a greater understanding of our customer's needs and desires.

Our product strategy is centred on 'Everyday style, quality and value' with an emphasis on style. The business has been working hard to refine our style credentials with a more confident product, greater range clarity, and a clearer design handwriting.

As part of our product evolution, we have identified areas where we can gain share in the market with a focus on both power categories, where we believe we can offer best in class products, and differentiator categories, where we are recognised and loved by our customers. We have also placed a renewed focus on our largest division, womenswear, as a true growth opportunity for the business. Through a focus on a stronger product identity and clearer outfit co-ordination our aim is to deliver quality our female customer can trust, availability she can rely on and value she can see.

Outside of our own brand offering, we continue to offer new fashion brands online through our Dropship offering and in 2025 rolled a number of these brands out into store. The greater choice and responsiveness to trends for customers across each of our divisions continues to deliver good participation, but our approach to new partnerships remains measured, with consideration of new brands based on their product being complementary to our own brand offering and delivering true incrementality.

Enhancing our efficiency
Providing great value to customers requires an efficient operating engine, and we have put considerable effort into our supply chain processes. 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.

We continue to invest heavily in our Distribution Centres with a focus on delivering supply chain automation that both delivers efficiencies now but also future proofs our business. During the financial period, work began on our dynamic buffer, which will enable consolidation of popular products prior to order to deliver efficiency in packing and despatch. This project is due to go live during FY27.

The business has also been investing in preparatory work on an extension to our already successful OSR (Order Storage and Retrieval) System. The project will deliver an expansion to our automated storage system adding over 100,000 more storage locations and allowing for fully automated retail replenishment. This work will allow the business to meet future capacity needs and unlock a centralised stock model. Production is due to commence on the OSR extension in the second half of FY27 with a full go live expected during FY28.

Strategic Overview (continued)

Highlights of our Reset phase to date (continued)

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 have relocated our Beckton and Southampton stores both of which are performing ahead of expectations and we continue to manage a pipeline of future expansion opportunities.

In addition, during FY26 we have completed 30 refreshes in our existing store estate. On average these stores have shown a sales performance 11% ahead of the rest of the estate and delivering attractive payback metrics. We are accelerating this programme in FY27 and plan to exceed the 30 stores completed in FY26.

Following a couple of years of contraction in our online sales, we have stabilised our digital platform and have continued to invest in our E-commerce proposition and online customer journey. This move has enabled us to start to differentiate our online shopping experiences and during FY26 we returned our online business into growth, delivering a 5% growth in online demand in the year. This growth has been delivered through the evolution of our marketing activity, with a focus on performance marketing enabling us to drive more traffic and improved conversion. We are also generating more consideration for Matalan through customer-centric marketing.

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 have seen an associated reduction in colleague turnover, with voluntary labour rates now in line with target levels

We have also been investing in our colleague rewards and recognition offering with the introduction of global pay benchmarking and improvements made to both our private medical and pension provision to ensure we are competitive in the market and are able to attract and retain the best talent. We have also undertaken a full organisational redesign across key areas of the business with key hires of top talent at Director, Executive levels and the appointment of our new CEO, Henrik Nordvall, who joined the business in February 2026. This organisational redesign and the introduction of a performance culture through the development of an OKR framework improves decision making and accountability, whilst enhancing capabilities.

We are also committed to providing our colleagues with forums where they can discuss their interests, passions and concerns in a supportive environment. We now have 4 vibrant colleague communities live in the business helping create an inclusive and equitable environment where every colleague feels respected, supported and empowered to thrive.

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 222 stores spread across 8 geographical regions, showed a participation level of 84% and an engagement score of 81%.

Strategic Overview (continued)

Highlights of our Reset phase to date (continued)

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. We have also continued our partnership with The Kings Trust supporting the 'Change A Girl's Life' campaign. By raising funds for this campaign, our support is giving young women a working future through funding King's Trust opportunities such as training courses with potential employers, access to job opportunities, skills to start a business, support with practice interviews and grants to cover the costs associated with moving into work. Our support is ultimately helping young women build a better future for themselves and their wider communities. Over the last three years we have raised over £2.3m for these three great partners, and the roll-out of 'Pennies' across our store estate post year end will enable us to further help these charities in the future.

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. During FY26, Matalan undertook a comprehensive review of its sustainability landscape in order to bring together all sustainability-related activity into a single, cohesive framework, providing a clear view of our current position and future opportunities. This work has enabled the development of a refreshed sustainability strategy aligned with Matalan's wider business strategy.

The new strategy provides a clear ambition and establishes a shared understanding of what sustainability means at Matalan. At the heart of the strategy is our ambition to make our impact across People and Planet a source of pride. To support this ambition, we have established two overarching goals: one focused on People and one focused on Planet. These goals provide a clear framework for our sustainability priorities and will guide the actions we take across the business.

We remain members of the Supplier Ethical Data Exchange (Sedex), and we remain signatories of Textile 2030 and the Ethical Trading Initiative (ETI) Base Code. During the year, we have also entered into partnership with Company Shop, the UK's largest redistributor of surplus goods.

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 have recognised the need to address. As a result, we are working hard to overhaul our capabilities and systems in data & insight, technology and automation, with a number of transformational projects in flight in these areas.

We are investing in our underlying technology and IT systems including the upgrading of our entire store EPOS system, which is due to be fully rolled out in the first half of FY27. The new tills will provide far greater user interface and improved customer experience whilst also allowing us to roll out 'Pennies' as way for our customers to easily make micro-donations to charity across our UK store estate, We have also commenced preliminary work on our warehouse management and stock replenishment systems, which will provide greater efficiency and visibility of stock-flow through the business.

We continue to review our organisational design and culture to support our transformation journey and create a more sustainable business. The introduction of our 'One Best Way' initiative across our retail estate is helping to drive efficiency, clarity of message and consistency of service across our store estate in order to deliver continuous improvement. The learnings from this initiative have the potential to be transferrable with the ability to replicate some of the initiative's success across our Distribution Centres and Support Hub.

Strategic Overview (continued)

Highlights of our Reset phase to date (continued)

We have also seen successes 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
In the next phase, we will build a more compelling and relevant customer proposition. This includes a more meaningful loyalty programme, stronger CRM capability and a clearer role for brand in driving consideration, retention and frequency.

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.

We have already refocussed our marketing campaigns towards our core female customer, with our successful Denim campaign in Autumn and our more recent Spring product launch campaign. This will be further developed as we move into the Autumn season FY27.

Product

Continuing to modernise our proposition
FY26 has seen 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 will also seek to move from a needs-based customer purchasing intent to a desire-based intent through our focus on everyday style and our greater understanding of our customers. This will allow us to increase frequency of spend and average basket value amongst our core customers whilst winning new customers and reengaging lapsed customers through improvements in our product, brand and customer experience. Our focus on this core female customer, and the improvements made to the style credentials of our womenswear is delivering and showing our strategy is working, with the market data for Q1 FY27 showing we are growing market share in both value and volume with our womenswear growth leading the way. We are not taking this for granted as we continue to invest in improvements in product handwriting and our visual merchandising.

We also recognise continued strong performance in several of our differentiator ranges and intend to maximise our potential in this. 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 continue to recognise an opportunity in school wear and will be enhancing our year-round availability.

Strategic Overview (continued)

Looking ahead to Build a Stronger Matalan (continued)

Reach

Providing greater choice and reasons to visit for our customers
Our reach agenda is focused on making Matalan easier to shop, easier to discover and more relevant across channels and markets. We will invest in digital acceleration, advance unified commerce, improve the productivity of the estate and test opportunities in international and new markets.

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.

The investment from our anchor investors has allowed the business to realise the potential inherent in its store estate by enabling a focus on modernising store layouts, improving customer experience and expanding our national footprint. The new funding enabled the business to deliver 30 store refreshes in FY26, and the success of this programme has led us to further accelerate this programme in FY27 with 40 store refreshes currently planned for the year including 14 of our traditionally best performing stores. We are also at the beginning of an ambitious store opening programme across the UK over the next 5 years, with a strong pipeline of potential stores. We are planning at least 10 new or relocated stores during FY27, with more stores in advanced negotiations.

Our focus is not just on store expansion, with many of our top-performing sites in the best locations highly desirable to the market meaning that it is essential that the business has a robust property strategy in place to ensure the retention of its best sites, and we are working both internally and with our core investors on strategies to protect our strongest performing stores in our retail portfolio.

In addition, we are also investing in our digital and e-commerce capabilities. In March 2026, we re-platformed our website to THG Altitude, a faster, more secure and easier to use web platform. We are also in the advanced stages of launching a new fully native app, which will enable the delivery of an enhanced user experience, including the ability to fully personalise the customer digital experience whilst also injecting speed and agility into the development cycle.

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, complemented 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.

People & Planet

Building on early success to assure a bright future
Our people and sustainability agenda remains critical to delivery. We are building a more connected, confident organisation with clearer expectations, stronger leadership and more consistent ways of working, alongside a more credible, data-led sustainability roadmap.

During the year, we introduced a new colleague reward platform, establishing a range of new specialist capabilities to support our future growth, and continue to invest in our leadership development.

Strategic Overview (continued)

Looking ahead to Build a Stronger Matalan (continued)

During FY26, we have also been working to revise our purpose, vision, values and behaviours to better reflect our business strategy and to better embed a performance culture within the business. Our internal values ('Think Family', 'Think Customer', 'Be Real' and 'Be the Best'), have served the business well for many years, but we need to ensure our values better reflect our purpose and vision and so during FY27 we will be announcing a new set of values and behaviours. These will encourage a far greater focus on our customer, whilst creating a culture where everyone plays their part in the success of the business, consistently brings their energy and passion, and achieves with accountability and courage. We will also continue to invest in our organisational design and further refine the OKR framework to ensure delivery is measurable and fully aligned to our strategic plan and ambitions

In order to further develop the progress we have made in our ESG and sustainability activity, we will continue to invest in our capability in FY27. While significant sustainability activity is already underway across the business, the introduction of a sustainability strategy represents a crucial step in bringing these initiatives together under a unified strategy. Looking ahead, we are planning to produce our first ever Sustainability Report in FY27. Designed with colleagues in mind, the report will establish a baseline for our sustainability journey, celebrate the progress made to date, and outline our priorities, ambitions and next steps for the future.

Foundations

Continuing to modernise our operations
Delivering our ambitions requires stronger enabling capabilities across technology, supply chain and data. We are modernising critical systems, improving supply chain resilience and building more trusted, actionable data to support faster, better-informed decisions and unlock the value of our strategic priorities.

FY27 Priorities

Our FY27 priorities are focused on the initiatives most critical to strengthening delivery and creating the platform for sustainable growth. They span customer, reach, product and enabling capabilities, with the aim of improving both in-year performance and future readiness.

Customer – We will prioritise loyalty, brand and CRM acceleration to improve consideration, retention, frequency and contactability, building a more relevant and rewarding customer proposition.

Reach – Our priorities are digital acceleration, unified commerce, property and international growth to attract more customers, improve channel productivity and broaden our route to market.

Product – Our priorities are retail growth, stock optimisation and stronger range construction and handwriting to improve availability, sharpen the offer and reinforce Matalan's position in everyday style, quality and value.

Enablers – Our enabling priorities are people, talent and culture, alongside technology, supply chain, data, sourcing and sustainability, providing the capability, resilience and governance needed to support delivery and future growth.

Principal risks and uncertainties

The responsibility for 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 Group Audit Committee is responsible for providing sufficient levels of risk oversight whilst also helping set the tone for the wider business around integrity, legal and regulatory compliance and brand reputation.

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

Black Swan Events – in recent years, the UK economy and the wider world economies have been hit by a number of 'Black Swan Events'. Black Swan Events are rare, unpredictable and extremely impactful events such as the COVID-19 pandemic.

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. Since the ending of all COVID-19 related restrictions the business has managed to unwind all of these mitigating actions whilst the threat of COVID-19 has been successfully alleviated by the worldwide vaccination programme. As a result the entire Matalan store estate remains fully open with no further restrictions envisaged.

Nevertheless, the emergence of a new strain of the COVID-19 disease, another potential worldwide pandemic or a different form of catastrophic 'Black Swan Event' 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 the impacts of the inflationary spikes seen across much of the world, including the UK, continuing to put pressure on the cost of living. This is further compounded by the economic and political instability caused by the continued war in Ukraine and the conflicts in the Middle East.

Events over the past year have also clearly demonstrated the significant negative impact disruption to international trade can have on the UK, with the threat of the introduction of onerous trade tariffs and restrictions on the worldwide oil supply having serious impacts on the UK economy.

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

Strategy – during FY25, management developed a detailed 5-year strategy to enable the business to accelerate its turn-around and to realise its growth potential through a focus on product improvements, refreshing and growing the Group retail estate, enhancing our E-commerce & loyalty offerings, developing our commercial partnerships and reinvigorating our international business. FY26 represented the first full year of implementation of this long-term strategic vision.

Failure to ensure that this strategy remains fit for purpose could erode the profitability of the business and its long-term viability by either failing to respond adequately to changing consumer habits or by investing resources in activities that do not provide intended return on investment.

Principal risks and uncertainties (continued)

Strategy (continued) – the 5-year strategy was developed in collaboration with subject matter experts across the business with inputs and insights from all key internal and external stakeholders. The strategy was approved by the board of directors with responsibility for its delivery delegated to the Executive team.

All key strategic initiatives are assessed through an Objectives & Key Results (OKR) framework to ensure their alignment with the wider strategy and their level of impact on strategic delivery. The strategy is regularly reviewed to ensure that changes in the retail environment and consumer behaviour are appropriately reflected in the plan and all key capital investments linked to the strategy are regularly assessed for their return on investment.

Brand & Reputation – failure to meet our customer and/or stakeholder expectations impacts the Matalan brand, customer loyalty and market share. This could derive from a failure to meet our own standard on quality, delivery or ethical trading.

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. Over the last two years, the Group has developed its reporting around ESG, driven by the evolution of the business's ESG Working Squad which reports directly to the ESG Executive Steering Committee, whose standing membership includes Executive team representation covering all areas of the business. ESG is also embedded in the governance of the Group through its inclusion on the board of directors' agenda at key times across the year.

Linked to this work, during FY26 Matalan undertook a comprehensive review of its sustainability landscape under the leadership of its new Head of Sustainability. The purpose of this review was to bring together all sustainability-related activity into a single, cohesive framework, providing a clear view of our current position and future opportunities. This work has enabled the development of a refreshed sustainability strategy that is aligned with Matalan's wider business strategy and long-term ambition.

This evolution is planned to continue as the Group works to improve its transparency and reporting on ESG. The Group has also been investing in improving its product quality and we are developing better communication and messaging around our quality offering to enhance customer awareness.

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. This risk could be further heightened as restrictions in some worldwide markets could result in an influx of low-cost goods into the UK market.

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 customer experience programme, and by regularly reviewing market data, to identify changes in competitor behaviour, pricing and new retail trends.

Principal risks and uncertainties (continued)

Property – Over 80% of total group revenue is delivered by Matalan's UK store estate, consequently the strength of the Matalan retail portfolio is key to the long-term performance of the group. The maintenance, retention and expansion of this store estate is therefore essential to the delivery of the business strategy.

The refresh programme delivered in FY26 has evidenced the importance of investing in the store estate with those stores that have undergone a refit markedly outperforming the wider retail estate.

Retail space at the best locations remains highly desirable meaning that it is essential that the business has a robust property strategy in place to ensure the retention of its best sites and a highly developed pipeline of potential new sites to ensure sufficient new store openings to deliver the Group strategy.

The business has dedicated resource to deliver its annual refresh programme of up to 40 store refits per year, to identify potential new sites and to successfully deliver its new store opening programme. Appraisal of new sites includes assessment of its proximity to target demographics, distance from existing Matalan stores, level of existing and potential future competition, as well as the commerciality of the lease terms.

Suppliers or Third Parties – failure of a key supplier or third-party would impact the service that the Group can provide to its customers. With the current risk of severe disruptions and restrictions on worldwide trade, this further exacerbates this risk for many of our key supplier countries. Sustained supplier cost price increases as a result of rising raw material costs, labour costs, transport costs and tariffs would place pressure on margins.

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

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

Whilst Matalan has been able to successfully mitigate these impacts, the recent clashes in the Strait of Hormuz has further exacerbated international shipping disruption, led to further increases in international freight costs, and put potential pressure on the supply of marine fuel.

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. We have diversified our shipping suppliers to mitigate our reliance on a single carrier and we have also seen improvements within the shipping sector from the introduction of new efficiencies and shipping models. Our supply chain is designed to deliver both resilience and flexibility to respond to these ongoing challenges.

Change & Transformation – the scale and complexity of Change and Transformation required to deliver our strategy could result in a failure to successfully implement these changes. This could lead to unanticipated costs, divert significant management attention and resources, and potentially lead to reputational damage, whilst at the same time meaning we don't deliver the anticipated benefits.

The business has introduced a robust project governance framework to mitigate project risk, with all project funding assessed and approved through the Executive led Investment Review Group. Where projects involve key business critical systems and processes, mitigations are built into the transformation plan to ensure business continuity.

Principal risks and uncertainties (continued)

Cyber-security – the risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, unfriendly foreign powers and cyber terrorists has risen as the number, intensity and sophistication of attacks have significantly increased. Any hacker attack, virus, data theft or similar threats against the Matalan Group and our IT systems could have a material adverse effect on the business, financial security and operational activities.

On the back of recent high-profile cyber-attacks, the business has been developing its Cyber Security Response Plans, in part through the establishment of a Crisis Management Team. The business has cyber insurance in place and has implemented a number of precautionary measures to protect our systems and data in response to recent updates to advice from government bodies, security agencies and cyber experts.

Data Security – the risk of loss or corruption of key data could have a material adverse effect on the reputation, financial condition and operational effectiveness of the business. Inadequate data governance and data security could result in regulatory non-compliance, reputational damage, failure to comply with data protection law, impaired decision making or erosion of customer trust.

The Group has a Data Protection Policy in place alongside a range of controls and processes for data protection and data privacy including colleague training. The Group is also taking action to strengthen data governance, led by its Head of Data Science and Analytics, and following advances in AI has developed and communicated a new Artificial Intelligence Usage Policy.

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 which have recently been extended to April 2029 and beyond. During the financial year, the Group successfully negotiated an additional £25m of Super Senior Note funding from its investor group, to enable the delivery of the Group's strategic aims and to enable the associated capital investment required to fast-track our growth plans. This funding was drawn in full in April 2025.

Linked to this new funding, and to enable access to further funding to deliver the capital investment plan outlined in the Matalan 5-Year Strategy, the Group additionally negotiated a change to its loan note indentures to increase the level of the pre-approved permitted debt basket capacity up to £60m, allowing a further £35m of funding to be sourced on top of the £25m of already drawn new funding.

Given the successful implementation of the strategy to date and the evidenced return on investment delivered by this capital programme, in February 2026 the Group successfully negotiated with its key core investor group the ability to access additional funding to further accelerate the delivery of the strategic plan.

The core investor group have committed to acquire a further £25m of Super Senior loan notes in Spring 2026 to provide extra funding for the group to support the capital investment plans for the business and to provide working capital support to enable the accelerated intake of seasonal stock to deliver earlier and bolder new season launches. Given the short-term seasonal cash low points for the business, the negotiated structure allows for the funding to be drawn to cover the seasonal low-point, with an option for the early repayment of this funding. Further details regarding these recapitalisation exercises and the Group debt structure are included in note 2.3.

Principal risks and uncertainties (continued)

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.

Labour Risk – In order to deliver the Group's strategic ambitions, the business needs to be able to attract and retain people with the necessary skills, expertise and experience.

In order to do so the business has been investing in its colleagues through improvements in its reward and recognition offering. This investment in its people has been delivering tangible results with the business delivering market leading internal engagement scores, voluntary labour turnover rates now at target levels and a strengthening of the Matalan employer brand as evidenced by our Glassdoor scores.

Increased costs of employment as a result of key regulatory changes to employment laws such as increases in National Minimum Wage, the recent changes to National Insurance Contributions and the new Employment Rights Bill could put pressure on Group profitability.

Whilst the business continues to invest in its people, the business is also working hard to deliver efficiency savings in order to enable the business to absorb and mitigate the significant rise in employment costs.

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

During FY26 over 98% 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 £69.4m (2025: £56.1m), see note 8 to the financial statements for a reconciliation to the statutory results.

By order of the board



D R Williams
Director
15 June 2026

MARYLAND HOLDCO LIMITED

DIRECTORS' REPORT FOR THE 53 WEEKS ENDED 28 FEBRUARY 2026

The directors present their report for the 53 weeks ended 28 February 2026.

Directors
The Company's directors who served during the period up to the date of signing the financial statements are:

K-H Holland
J Pee
D R Williams
K W Down
H H Nordvall (appointed 9 February 2026)

Principal activities
The principal activities of the Group are the sale of clothing and homewares via an omnichannel model primarily through out-of-town retail outlets and online, through the Matalan fascia. 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 (2025: £nil).

Dividends
No dividend has been paid by the Group in the period (2025: £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 28 February 2026 were 73 days (2025: 45 days) based on average daily purchases. The period-end increase in Trade creditor days compared to the financial period ending 22 February 2025 is in part due to the impact of the inclusion of the 53rd week and in part due to the acceleration of inventory intake for the Spring/Summer season launch.

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 including the Group's newly appointed CEO, 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, through the Remuneration Committee, 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 January 2023, 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.

Corporate governance statement (continued)
The Group has an Audit Committee, chaired by a non-executive director with extensive and highly relevant experience across audit, assurance and risk. The Committee is responsible for providing sufficient levels of risk oversight whilst also helping set the tone for the wider business around integrity, legal and regulatory compliance and brand reputation.

The business has also been investing in its Internal Audit Function, whilst also ensuring that the company and divisional risk registers are fully embedded into the day-to-day thinking of the business. Both data security and cyber security are areas of increasing focus for all businesses, and Matalan is investing in its governance, systems, processes and colleague training for managing and responding to risks to the security of its Information Technology systems and data.

The principal risks and uncertainties facing the Group are explained on pages 12-16. 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

15 June 2026

MARYLAND HOLDCO LIMITED

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 53 weeks to 28 February 2026 which comprise the Group and Company Income Statements, the Group and Company Statement of Comprehensive Expenditure, 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 28 February 2026 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.

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 21, 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.

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.

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

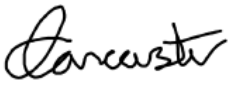
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing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



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

15 June 2026

MARYLAND HOLDCO LIMITED

INCOME STATEMENT

	Note	**Group 53 weeks ended 28 February 2026 £'m**	**Company 53 weeks ended 28 February 2026 £'m**	Group 52 weeks ended 22 February 2025 £'m	Company 52 weeks ended 22 February 2025 £'m
Revenue	4	**986.8**	-	985.0	-
Cost of sales (including exceptional items)	4	**(864.3)**	-	(887.3)	-
Gross profit	4	**122.5**	-	97.7	-
Administrative expenses (including exceptional items)	4	**(85.4)**	-	(79.0)	-
Operating profit	4	**37.1**	-	18.7	-
Operating profit pre-exceptional items		**48.6**	-	31.8	-
Exceptional items – cost of sales	30	**(5.8)**	-	(10.9)	-
Exceptional items – administrative expenses	30	**(5.7)**	-	(2.2)	-
Operating profit		**37.1**	-	18.7	-
Finance expenses	5	**(92.3)**	-	(87.8)	-
Finance income	5	**1.1**	-	1.9	-
Exceptional items – finance expenses	5/30	**(1.1)**	-	-	-
Exceptional items – finance income	5/30	**0.5**	-	-	-
Net finance expenses		**(91.8)**	-	(85.9)	-
Loss before income tax		**(54.7)**	-	(67.2)	-
Income tax credit	10	**12.3**	-	9.0	-
Loss for the period		**(42.4)**	-	(58.2)	-

MARYLAND HOLDCO LIMITED

STATEMENT OF COMPREHENSIVE EXPENDITURE

	Group 53 weeks ended 28 February 2026 £'m	Group 52 weeks ended 22 February 2025 £'m
Loss for the period	**(42.4)**	(58.2)
Other comprehensive (expenditure)/ income:		
Items that are or may be reclassified subsequently to profit or loss		
Cash flow hedges		
Fair value (loss)/gain in the period	**(5.9)**	11.3
Tax element of cash flow hedges	**1.4**	(2.7)
Total items that may be reclassified to the income statement	**(4.5)**	8.6
Hedging gains and losses transferred to inventory	**0.4**	(0.6)
Pre-acquisition hedge adjustment unwind		
Fair value gain/(loss) in the period	**-**	-
Tax element of cash flow hedges	**-**	2.3
Total cash flow adjustment, net of tax	**-**	2.3
Net comprehensive (expenditure)/ income	**(4.1)**	10.3
Total comprehensive expenditure for the period	**(46.5)**	(47.9)

The Company has no other comprehensive income/(expenditure) in the current period (2025: £nil).

MARYLAND HOLDCO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2026

	Note	**Group 2026 £'m**	**Company 2026 £'m**	Group 2025 £'m	Company 2025 £'m
Assets					
Property, plant and equipment	11	**127.5**	**-**	132.5	-
Right-of-use assets	25	**246.9**	**-**	264.7	-
Intangible assets	12	**112.5**	**-**	119.1	-
Goodwill	13	**3.4**	**-**	3.4	-
Investments	14	**-**	**47.8**	-	47.8
Deferred tax asset	10	**37.4**	**-**	27.6	-
Financial assets - derivative financial instruments	20	**0.6**	**-**	1.0	-
Total non-current assets		**528.3**	**47.8**	548.3	47.8
Inventories - goods for resale	15	**128.5**	**-**	115.4	-
Trade and other receivables	16	**37.3**	**0.3**	32.0	-
Financial assets - derivative financial instruments	20	**0.3**	**-**	1.9	-
Restricted cash and cash equivalents	17	**3.3**	**-**	3.9	-
Unrestricted cash and cash equivalents	17	**76.6**	**-**	86.0	-
Total current assets		**246.0**	**0.3**	239.2	-
Total assets		**774.3**	**48.1**	787.5	47.8
Liabilities					
Financial liabilities – borrowings	18	**(12.3)**	**-**	(11.0)	-
Financial liabilities – derivative financial instruments	20	**(5.7)**	**-**	(1.7)	-
Short-term lease liabilities	25	**(83.5)**	**-**	(89.6)	-
Trade and other payables	19	**(155.6)**	**(3.1)**	(137.0)	(3.1)
Provisions for other liabilities and charges	21	**(0.5)**	**-**	(0.7)	-
Total current liabilities		**(257.6)**	**(3.1)**	(240.0)	(3.1)
Financial liabilities – borrowings	18	**(350.5)**	**-**	(318.3)	-
Financial liabilities – derivative financial instruments	20	**(0.1)**	**-**	-	-
Long-term lease liabilities	25	**(250.3)**	**-**	(263.6)	-
Trade and other payables	19	**-**	**-**	(1.6)	-
Deferred tax liabilities	10	**(26.2)**	**-**	(30.1)	-
Provisions for other liabilities and charges	21	**(6.0)**	**-**	(4.1)	-
Total non-current liabilities		**(633.1)**	**-**	(617.7)	-
Total liabilities		**(890.7)**	**(3.1)**	(857.7)	(3.1)
Net (liabilities)/ assets		**(116.4)**	**45.0**	(70.2)	44.7
Shareholders' equity					
Share capital	22	**-**	**-**	**-**	-
Capital contribution reserve	22	**45.0**	**45.0**	44.7	44.7
Hedge reserve	22	**(2.9)**	**-**	1.2	-
Retained earnings		**(158.5)**	**-**	(116.1)	-
Total shareholders' equity		**(116.4)**	**45.0**	(70.2)	44.7

The financial statements on pages 26 to 79 were approved by the board of directors on 15 June 2026 and signed on its behalf by:

K-H Holland
Director
Maryland Holdco Limited

D R Williams
Director

Registered number: 00146907

MARYLAND HOLDCO LIMITED

STATEMENT OF CASH FLOWS

	Note	**Group 2026 £'m**	Group 2025 £'m
Cash flows from operating activities			
Cash generated from operations	23	**151.1**	114.3
Interest paid	5	**(75.6)**	(72.9)
Tax received	10	**-**	-
Net cash generated from operating activities		**75.5**	41.4
Cash flows from investing activities			
Purchases of property, plant and equipment	11	**(34.4)**	(13.9)
Purchases of intangible assets	12	**(11.5)**	(3.4)
Interest received	5	**1.1**	1.5
Net cash used in investing activities		**(44.8)**	(15.8)
Cash flows from financing activities			
Exceptional refinancing costs	5/30	**(1.1)**	-
Repayment of lease liabilities	25	**(61.2)**	(62.3)
Proceeds from issuance of shares	22	**0.3**	-
Loan issuance	18	**25.0**	-
Bond buy-back	18	**(3.7)**	-
Net cash used in financing activities		**(40.7)**	(62.3)
Net decrease in cash and cash equivalents		**(10.0)**	(36.7)
Cash and cash equivalents at the beginning of the period		**89.9**	126.6
Net cash and cash equivalents at the end of the period	17	**79.9**	89.9

The Company had no cash flows in the 53 weeks ended 28 February 2026 (2025: £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**
As at 25 February 2024	-	44.7	-	(67.0)	(22.3)
Comprehensive expenditure					
Loss for the period	-	-	-	(58.2)	(58.2)
Total loss for the period	-	-	-	(58.2)	(58.2)
Other comprehensive income					
Cash flow hedges					
- fair value gain in the period	-	-	11.3	-	11.3
- tax element of cash flow hedges	-	-	(2.7)	-	(2.7)
Total cash flow hedges, net of tax	-	-	8.6	-	8.6
Total other comprehensive income, net of tax	-	-	8.6	-	8.6
Hedging gains and losses transferred to the cost of inventory	-	-	(0.6)	-	(0.6)
Pre-acquisition hedge adjustment unwind					
- fair value gain in the period			(9.1)	9.1	-
- tax element of cash flow hedges			2.3	-	2.3
Total cash flow adjustment, net of tax			(6.8)	9.1	2.3
Net other comprehensive income	**-**	**-**	1.2	9.1	10.3
As at 22 February 2025	**-**	**44.7**	**1.2**	**(116.1)**	**(70.2)**
As at 23 February 2025	-	**44.7**	**1.2**	**(116.1)**	**(70.2)**
Comprehensive expenditure					
Loss for the period	**-**	**-**	**-**	**(42.4)**	**(42.4)**
Total loss for the period	**-**	**-**	**-**	**(42.4)**	**(42.4)**
Other comprehensive expenditure					
Cash flow hedges					
- fair value loss in the period	**-**	**-**	**(5.9)**	**-**	**(5.9)**
- tax element of cash flow hedges	**-**	**-**	**1.4**	**-**	**1.4**
Total cash flow hedges, net of tax	**-**	**-**	**(4.5)**	**-**	**(4.5)**
Total other comprehensive expenditure, net of tax	**-**	**-**	**(4.5)**	**-**	**(4.5)**
Hedging gains and losses transferred to the cost of inventory	**-**	**-**	**0.4**	**-**	**0.4**
Net other comprehensive expenditure	**-**	**-**	**(4.1)**	**-**	**(4.1)**
Issue of share capital	**-**	**0.3**	**-**	**-**	**0.3**
As at 28 February 2026	**-**	**45.0**	**(2.9)**	**(158.5)**	**(116.4)**

MARYLAND HOLDCO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company	Share capital £'m	Capital contribution reserve £'m	Hedge reserve £'m	Retained earnings £'m	Total equity £'m
As at 25 February 2024	**-**	**44.7**	**-**	**-**	**44.7**
Comprehensive income					
Result for the period	-	-	-	-	**-**
Total comprehensive income	-	-	-	-	**-**
As at 22 February 2025	**-**	**44.7**	**-**	**-**	**44.7**
As at 23 February 2025	**-**	**44.7**	**-**	**-**	**44.7**
Comprehensive income					
Result for the period	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**
Issue of share capital	**-**	**0.3**	**-**	**-**	**0.3**
As at 28 February 2026	**-**	**45.0**	**-**	**-**	**45.0**

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 53 week period.

2.2 New standards, amendments to standards or interpretations

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

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

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.

New accounting standards in issue but not yet effective for accounting periods beginning on or after 1 January 2026:

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures;
- Annual improvements to IFRS accounting standards – Volume 11
- IFRS 18 Presentation and Disclosure in Financial Statements

The adoption of IFRS 18 is expected to have an impact on the presentation of the income statement but not to have a material impact on the accounting policies, financial position or performance of the Company or Group. The adoption of the other 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.

2. Summary of material accounting policies (continued)

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

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 28 February 2026 continued to represent a challenging trading environment for the Matalan business and the wider retail sector. Consumer demand remained subdued throughout the period, with the lasting impacts of the cost-of-living crisis, inflationary conditions and elevated interest rates continuing to put pressure on customers' disposable income and levels of discretionary spend. These difficult trading conditions were further exacerbated by the wider macro-economic uncertainties caused to international trade by a constantly changing tariff environment and the associated additional costs of doing business in a time of economic insecurity.

Against this challenging market backdrop, and despite the continuing financial pressures on UK consumers, the business managed to stabilise its revenue performance following two years of sales decline. This was achieved by delivering top-line growth in its digital channel, through the successful refresh of 30 of its stores, with this refit programme out-performing growth expectations, and by increasing market share in a highly competitive market. This was also achieved despite our international franchise business seeing a further year of sales decline as a number of key franchise partners in the Middle East and around the Mediterranean coast were negatively impacted by the challenging macro-economic conditions and regional political instability.

As a result of this stabilisation of revenue performance, as well as delivery of a further step-on in margin performance, and strong cost control, the business was able to deliver a further 24% improvement in the Matalan Group's underlying pre IFRS 16 EBITDA profitability. This represents an improvement in its underlying pre IFRS 16 EBITDA growth of over 150% since the Matalan Group's acquisition in 2023.

The favourable benefits delivered from the savings made in the bought-in-price of goods sold and a focus on profitability, along with savings delivered against our freight contract and favourable gains achieved on our hedged currency rates, more than offset the investment made in markdown to drive footfall in a highly competitive and promotional market. The net gain in gross margin achieved in FY26 helped to insulate the business from the inflationary pressures on the group cost base and a significant increase in payroll costs caused by National Living Wage rises, the substantial changes made to National Insurance, as well as investments made by the business in our colleagues and structural investments made to help deliver the strategy and drive the business forward.

As a result, the Matalan Group managed to deliver a significant improvement in its EBITDA figure, and, despite significant capital expenditure in the year, the Group continued to have strong liquidity. As at 28 February 2026, unrestricted cash and cash equivalents, per the balance sheet, excluding restricted cash holdings, was £76.6m.

In April 2025, the Group drew down an additional £25m of Super Senior Note funding from its investor group, to enable the delivery of the Group's strategic aims, to finance the associated capital investment required to accelerate our growth plans, and to facilitate where possible a repurchase of debt to enable a deleveraging of the business.

Linked to this new investment, and to enable access to further funding to deliver the capital investment plan outlined in the Matalan 5-Year Strategy, the Group additionally negotiated a change to its loan note indentures to increase the level of the pre-approved permitted Super Senior debt basket capacity up to £60m, allowing a further £35m of Super Senior funding to be sourced on top of the £25m of already drawn new funding.

2. Summary of material accounting policies (continued)

2.3 Going concern (continued)

The Group also gained consent to extend the debt maturity date of the Super Senior Notes from 31 January 2027 to 1 December 2027, and to extend the debt maturity date of the New Priority Notes from 31 July 2027 to 31 December 2027.

In September 2025, as part of its wider management of its overall debt structure, the Group acquired and cancelled £5.0m of Senior Secured Notes. This reduced the capital value of the Issued Senior Secured Notes from £199.8m to £194.8m.

As a result, the Group exited the financial period with a debt structure comprising Super Senior Notes of £111.2m with a maturity date of December 2027, New Priority Notes of £75m with a maturity date of December 2027, and Senior Secured Notes of £194.8m with a maturity date of January 2028.

There are no performance related covenants linked to any of the Group's debt instruments.

During FY25, management developed a detailed 5-year strategy to enable the business to accelerate its turn-around and to realise its growth potential through a focus on product improvements, refreshing and growing the Group's retail estate, enhancing E-commerce & loyalty offerings, developing existing and new commercial partnerships and reinvigorating the international business.

The additional £25m of Super Senior Note funding successfully drawn in April 2025 was negotiated based on this strategy, to deliver the associated capital investment required to enable our growth plans, with the extension of the debt maturity dates and debt basket capacity giving the business both the time and resources to fully deliver this strategy and to realise its potential.

Given the successful implementation of the strategy to date and the evidenced return on investment delivered by this capital programme, in February 2026 the Group successfully negotiated with its key core investor group the ability to access additional funding to further accelerate the delivery of the strategic plan.

The core investor group have committed to acquire a further £25m of Super Senior loan notes in Spring 2026 to provide extra funding for the group to support the capital investment plans for the business and to provide working capital support to enable the accelerated intake of seasonal stock to deliver earlier and bolder new season launches. Given the short-term seasonal cash low points for the business, the negotiated structure allows for the funding to be drawn to cover the seasonal low-point with a separate side-letter allowing for the early repayment of this funding following this seasonal low point and on the basis that the group has sufficient liquidity to effect this repayment. Should the directors deem that the business does not meet the liquidity threshold to enable the repayment of the financing then the loan notes become permanent with the maturity date reverting to the standard Super Senior Note maturity date of December 2027.

Based on current trading performance and group cashflow forecasts the group has elected not to draw this available funding as at the date of these financial statements. However, the core investor group have indicated in writing their willingness to continue to provide funding where required to support our future working capital requirements around our ongoing seasonal Autumn and Spring cash low points.

Nevertheless, the Group continues to operate against a challenging economic backdrop caused in part by the negative impact that the cost-of-living crisis had on overall consumer confidence and levels of discretionary spend amongst the Matalan customer base, and in part due to the wider macro-economic uncertainties caused by the conflict in Iran. The fall-out from this conflict and in particular the closing of the Strait of Hormuz has caused hikes in international fuel and energy prices and severe disruption to international trade, with the UK economy and UK consumers exposed to these shockwaves.

2. Summary of material accounting policies (continued)

2.3 Going concern (continued)

Whilst the Matalan Group has been able to successfully manage these economic headwinds to date, delivering a year-on-year growth in both sales and profitability in the first quarter of FY27, management remain aware of the potential impact a prolonged conflict in the Middle-East could have on UK inflation and its impact on consumer spending.

Given this risk and to provide the business with a longer runway to deliver on its strategic plans, management have successfully negotiated with its bondholder population a further 16-month extension to it loan note maturity dates. The Group has obtained the necessary consent to extend the debt maturity date of the Super Senior Notes from 1 December 2027 to 1 April 2029, to extend the debt maturity date of the New Priority Notes from 31 December 2027 to 30 April 2029, and to extend the debt maturity date of the Senior Secured Notes from 26 January 2028 to 26 May 2029.

As part of the directors' going concern assessment, we have also 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, its diversified and robust supply chain, and 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 FY27 budget along with the Group's FY28 draft plan. Through a focus on improved customer value and product improvements, refreshing and growing the Group retail estate, enhancing the E-commerce & loyalty offerings, developing commercial partnerships and reinvigorating the international proposition, the business is expected to deliver revenue growth and an improvement in EBITDA profitability.

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 11% degradation in revenue from the original FY27 budget for both the first half of FY27 and second half of FY27, representing a full year sales reduction of over £115m. The scenario also assumes over £100m of sales reduction across FY28, representing over 9% degradation in revenue. Based on this severe but plausible downside scenario, which would see the business delivering a c. 35% reduction in EBITDA performance in FY27 compared to budget and a c.40% reduction in FY28 EBITDA compared to plan, the Group has sufficient mitigating levers available to it through reduction of capital expenditure and stock intake management to ensure that the business maintains a sufficient level of cash headroom throughout the forecast period.

Management have considered an even more extreme downside scenario, involving a further £50m reduction in revenue across the remainder of FY27, and a further £40m reduction in revenue across the first half of FY28, which would see the business delivering a revenue performance unprecedented outside of Covid-19 retail restrictions. In such a scenario, this would lead to a working capital shortfall if unmitigated, but there are further actions entirely in management's control, such as further reductions in intake to right-size inventory holdings and the cancellation or deferral of uncommitted capital expenditure, that could be taken to ensure the business could manage its cashflows around its key and short-lived cashflow low points in Autumn 2026 and in the early months of 2027. As the Group loan indentures do not include any performance related covenants, these downside scenarios do not trigger any detrimental debt related consequences.

2. Summary of material accounting policies (continued)

2.3 Going concern (continued)

In addition, given the progress the business has made and continues to make in delivering its strategic plan and improving its profitability, the core investor group has shown its willingness to support the financial security of the group by inter alia providing extra funding, increasing the available debt baskets and extending the terms of the Notes. As a result, in a potential scenario where the business did face short-term liquidity issues in the future, the Directors are confident they would be in a position to hold constructive discussions with the core investor group to further support the business if required.

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 £0.4m.

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.

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, management uses a number of key assumptions in 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 sensitised store trading forecasts and an appropriate pre-tax discount rate. Each store's value in use includes an allocation of online margin (as outlined in note 2.9), an apportionment of central and distribution centre costs, a share of brand value and a proportion of the net costs required to service the group's clearance stores. 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, discount 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.

In the case of Maryland Holdco Limited, its primary asset is its investment in Maryland Midco Limited and its subsidiary undertakings. As this investment is not traded on an active market with quoted prices, its value is not based on observable market data, and as such the recoverable value of the investment is subject to management judgement and assumptions and is consequently a source of estimation uncertainty.

In order for management to satisfy themselves as to the reasonableness of the underlying investment value, the recoverable amount has been assessed based on the higher of its value in use (VIU) and fair value less costs of disposal (FVLCOD).

2. Summary of material accounting policies (continued)

2.4 Critical accounting estimates (continued)

(c) Impairment (continued)
Management note that the cash-generating subsidiary does not currently have distributable reserves and therefore, the value of the investment may not be recovered via dividends. It should however be noted that management's 5-year strategy, if achieved, would enable the cash-generating subsidiary to return to a distributable reserves position. Nevertheless, given this current reserves position and in order to gain confidence over the carrying value of the investment, management have focussed their assessment on the FVLCOD of the investment.

The investment valuation at acquisition was based on the enterprise value of the underlying acquired business taking into account both the actual EBITDA performance of the business pre-acquisition and its future potential EBITDA growth forecasts. Based on the current improved EBITDA performance post-acquisition, and the revised future growth forecasts for the business, the enterprise value of the business is deemed to have increased since January 2023. Even with the application of a highly sensitised growth forecast into this assessment, the enterprise value at acquisition remains fully justifiable and there is no evidence to support a diminution in value since acquisition. It is management's belief that the assumed enterprise value would form the basis of the valuation a market participant would place on the underlying business, and that therefore the FVLCOD of the business would be in excess of the investment carrying value.

Based on the investment fair value at initial recognition and the EBITDA pre exceptionals under IAS 17 of Matalan Retail Limited for the 53 weeks ended 28 February 2026 the implied EBITDA/Value multiple is c.0.7x (2025: c0.9x) which compares to an implied multiple of 1.9x at February 2023, based on the investment fair value at acquisition and the EBITDA performance of the acquired group at that time. Management forecast this implied multiple to continue to reduce further as the business delivers its turn-around strategy and improves its underlying profitability.

Management consider the current level of EBITDA multiple required to justify the investment carrying value and the improvement in this multiple since acquisition as evidence of a step-up in the underlying value of the business. Management are therefore confident that, based on current EBITDA multiples, the FVLCOD is higher than the carrying value of the investment.

On the basis of this analysis, Management have concluded that the fair value of the business continues to support the recoverability of the investment value and no impairment is considered necessary.

(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.

3. 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. Therefore, in order to mitigate this inherent uncertainty, the business only assesses probable levels of recoverability over a maximum 6 year period with this assessment based on growth forecasts using a highly sensitised assessment of the Group's budget and long term strategic forecasts. 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 or fund 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.

2. Summary of material accounting policies (continued)

2.5 Basis of consolidation (continued)

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.

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, with Matalan acting as the principal. 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. Summary of material accounting policies (continued)

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.

Finance income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

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 a 2 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.

2. Summary of material accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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 continued high 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.

The Group operates an omnichannel business, offering its customers the chance to shop its ranges through its e-commerce platform as well as its physical retail store estate. The online and store activities are intrinsically linked, interdependent and complementary, with the online and store goods managed from a single site, and the online business benefitting from its association to the Matalan fascia. The two channels are highly interdependent, with the option to click and collect in store or to check store availability online driving in-store footfall and improving the online customer experience. As a result, our omnichannel customers spend significantly more with the business than single channel customers. It is for these reasons that our online channel is assessed as part of the store CGUs, with our online EBITDA, net of central and distribution centre cost allocations, assigned against each separate store CGU using store sales as a proxy for omni-channel customer overlap and store footfall.

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	2-14 years
Fixtures, fittings and IT hardware	4-7 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. Summary of material accounting policies (continued)

2.12 Investments

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

2.15 Current income tax

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

2.16 Deferred income tax

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

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

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

2. Summary of material accounting policies (continued)

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.

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. Summary of material accounting policies (continued)

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

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. The shares are split into four classes of shares. A Ordinary shares are the only class of share with voting rights and right to dividend payments. B, C and D Ordinary shares have no voting rights, no rights to dividend payments and only generate value for the holders of these shares on an exit. As key management personnel have been invited to subscribe for the B, C and D shares at their independently calculated unrestricted market value, the company has not provided any form of employee benefit or compensation as part of this share issuance and so there is no employee compensation recognised through the Income Statement in the current year in relation to the share issuance.

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. Summary of material accounting policies (continued)

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.

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.

2. Summary of material accounting policies (continued)

2.26 Impairment (continued)

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.

2.28 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.

2. Summary of material accounting policies (continued)

2.28 Right-of-use assets and lease liabilities (continued)

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.

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. Summary of material accounting policies (continued)

2.29 Pension scheme

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

3. Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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 28 February 2026, 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 £4.2m (2025: £4.4m) 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 28 February 2026, 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 £5.1m (2025: £5.4m) lower, mainly as a result of foreign exchange losses on translation of US dollar trade payable amounts compensated by foreign exchange gains on translation of US dollar denominated cash and trade receivable US dollar amounts.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 0.84% (2025: 1.68%).

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 (2025: £0.1m).

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

(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+	-	76.6	-

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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(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.

	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 22 February 2025						
Borrowings (before deduction of £12.8m issue costs) including interest payable	-	(16.0)	(18.7)	(426.0)	-	(460.7)
Trade and other payables	(135.5)	(0.3)	(1.2)	(1.6)	-	(138.6)
Lease liabilities	(8.6)	(17.4)	(74.5)	(306.9)	(179.9)	(587.3)
	(144.1)	**(33.7)**	**(94.4)**	**(734.5)**	**(179.9)**	**(1,186.6)**
At 28 February 2026						
Borrowings (before deduction of £9.1m issue costs) including interest payable	-	(17.2)	(21.7)	(425.6)	-	(464.5)
Trade and other payables	(155.0)	(0.3)	(0.3)	-	-	(155.6)
Lease liabilities	(7.7)	(15.2)	(66.5)	(255.1)	(138.5)	(483.0)
	(162.7)	**(32.7)**	**(88.5)**	**(680.7)**	**(138.5)**	**(1,103.1)**

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 22 February 2025					
Cash flow hedges:					
Inflows	1.9	1.0	**-**	**-**	**2.9**
Outflows	(1.7)	**-**	**-**	**-**	**(1.7)**
	0.2	**1.0**	-	-	**1.2**
As at 28 February 2026					
Cash flow hedges:					
Inflows	0.3	0.6	**-**	**-**	**0.9**
Outflows	(5.7)	(0.1)	**-**	**-**	**(5.8)**
	(5.4)	**0.5**	-	-	**(4.9)**

At 28 February 2026, the Group held a total of $470.0m (2025: $318.0m) of instruments to hedge exposures to changes in foreign currency.

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	**2026 £'m**	2025 £'m
Fair value of borrowings (net of issue costs)	18	**362.8**	329.3
Less: Net cash and cash equivalents (including restricted cash)	17	**(79.9)**	(89.9)
Net debt		**282.9**	239.4
Adjusted total capital		**(116.4)**	(70.2)
Gearing ratio		**(243)%**	(341)%

3. Financial risk management (continued)

3.3 Fair value estimation

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

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

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

Financial assets

	Fair value level 2 2026 £'m	Fair value level 2 2025 £'m	**Carrying amount 2026 £'m**	Carrying amount 2025 £'m
Financial assets measured at amortised cost				
Cash and cash equivalents	**-**	**-**	**79.9**	89.9
Trade and other receivables	**-**	**-**	**16.3**	11.4
	-	**-**	**96.2**	101.3
Financial assets measured at fair value through profit or loss				
Financial derivatives	**0.9**	2.9	**0.9**	2.9
	0.9	2.9	**0.9**	2.9

Financial liabilities

	Fair value level 2 2026 £'m	Fair value level 2 2025 £'m	**Carrying amount 2026 £'m**	Carrying amount 2025 £'m
Financial liabilities measured at amortised cost				
Trade and other payables	**-**	**-**	**(105.0)**	(77.7)
Other interest-bearing loans and borrowings (before issue costs)	**-**	**-**	**(371.9)**	(342.1)
	-	**-**	**(476.9)**	(419.8)
Financial liabilities measured at fair value through profit or loss				
Financial derivatives	**(5.8)**	(1.7)	**(5.8)**	(1.7)
	(5.8)	(1.7)	**(5.8)**	(1.7)

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

Derivative financial instruments

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

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

Trade and other payables and receivables

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

Cash and cash equivalents

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

Long term and short term borrowings

The fair value of bank loans and other loans approximates their carrying value where they have interest rates based on 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 2026 £'m	Group 2025 £'m
Revenue	**986.8**	985.0
Total revenue	**986.8**	985.0
Cost of goods sold	**(448.7)**	(475.4)
Selling expenses	**(335.3)**	(340.9)
Exceptional items – selling expenses	**(5.8)**	(10.9)
Distribution expenses	**(74.5)**	(60.1)
Total cost of sales	**(864.3)**	(887.3)
Gross profit	**122.5**	97.7
Administrative expenses	**(79.7)**	(76.8)
Exceptional items – administrative expenses	**(5.7)**	(2.2)
Total administrative expenses	**(85.4)**	(79.0)
Operating profit	**37.1**	18.7

The revenue analysis by geographic area for the 53 weeks ended 28 February 2026 is as follows:

	2026 £'m	2025 £'m
United Kingdom	**967.9**	963.1
Rest of the World	**18.9**	21.9

The performance of the Group is subject to seasonal peaks.

5. Net finance costs

	Group 2026 £'m	Group 2025 £'m
Finance costs and similar charges:		
Interest payable on notes	**(46.2)**	(42.8)
Other interest payable	**(4.1)**	(4.1)
Exceptional items – finance costs	**(1.1)**	**-**
IFRS 16 interest charge	**(42.0)**	(40.9)
Finance costs	**(93.4)**	(87.8)
Finance income:		
Interest receivable	**0.9**	1.4
Other interest receivable	**0.2**	0.1
Gain on ineffective forward contracts	-	0.4
Exceptional items – finance income	**0.5**	**-**
Finance income	**1.6**	1.9
Net finance costs	**(91.8)**	(85.9)

For finance costs, in the period there are £16.7m (2025: £14.9m) 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:

	2026 £'m	2025 £'m
Aggregate emoluments (including benefits in kind)	**1.9**	2.0
Termination benefits	-	0.3
	1.9	2.3

The directors accrued £nil (2025: £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 2026 Number	Group 2025 Number
By function		
Selling and distribution	**8,901**	9,601
Administration	**692**	676
	9,593	10,277

	2026 £'m	2025 £'m
Staff costs (for the above persons)		
Wages and salaries	**168.6**	164.4
Social security costs	**15.9**	11.0
Other pension costs	**2.3**	2.3
Termination costs	**1.8**	1.4
	188.6	179.1

The Company does not have any employees (2025: nil).

8. EBITDA ("Non-GAAP Measure")

The Board relies primarily on pre IFRS 16 EBITDA before exceptional items ("EBITDA pre exceptionals under IAS 17") to assess the performance of the Group. Pre IFRS 16 EBITDA before exceptional items for the period was a profit of £69.4m (2025: £56.1m). This can be reconciled to statutory operating profit as follows:

	Group 2026 (under IFRS 16) £'m	Group 2025 (under IFRS 16) £'m
Operating profit	**37.1**	18.7
Depreciation and amortisation	**110.8**	116.5
Exceptional items	**11.5**	13.1
EBITDA before exceptional items	**159.4**	148.3

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

EBITDA pre exceptionals under IFRS 16	**159.4**	**148.3**
Increase in cost of sales	**(87.3)**	**(89.8)**
Increase in administrative expenses	**(2.7)**	**(2.4)**
EBITDA pre exceptionals under IAS 17	**69.4**	**56.1**

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 2026 £'m	Group 2025 £'m
Loss on ordinary activities before tax is stated after charging:		
Cost of inventories recognised as an expense (included in cost of sales)	**449.1**	475.3
Net foreign exchange (gains)/losses	**(0.4)**	0.1
Depreciation charge for the period on property, plant and equipment and right-of-use assets	**94.6**	98.2
Amortisation of intangible assets	**16.2**	18.3
Fees payable to the Group's Auditor:		
for the audit of the parent Company and consolidated financial statements and subsidiary companies	**0.8**	0.7
for other non-audit services	**-**	**-**

10. Income tax credit

Analysis of credit

	Group 2026 £'m	**Company 2026 £'m**	Group 2025 £'m	Company 2025 £'m
Current income tax				
UK corporation tax – current period	**-**	**-**	**-**	**-**
UK corporation tax – prior period	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**
Deferred income tax				
Deferred income tax relating to the origination and reversal of temporary differences	**(12.7)**	**-**	(9.0)	**-**
Effect of change in income tax rates	**0.4**	**-**	-	**-**
	(12.3)	**-**	(9.0)	**-**
Total income tax credit	**(12.3)**	**-**	(9.0)	**-**

The Group income tax credit for the period is lower (2025: lower) than the rate of corporation tax of 25.0% (2025: 25.0%). The deferred tax asset at 28 February 2026 has been calculated based on 25% (2025: 25%).

The differences are explained below:

	Group 2026 £'m	**Company 2026 £'m**	Group 2025 £'m	Company 2025 £'m
Loss for the period	**(42.4)**	**-**	(58.2)	**-**
Income tax credit	**12.3**	-	9.0	-
Loss on ordinary activities excluding income tax	**(54.7)**	-	(67.2)	-
Loss on ordinary activities multiplied by the rate of corporation tax of 25.0% (2025: 25.0%)	**(13.7)**	-	(16.8)	-
Effects of:				
Non-deductible expenses	**1.6**	-	1.1	-
Deferred income tax not recognised	**(0.6)**	-	7.9	-
Adjustments in respect of prior periods	**0.4**	-	(1.2)	-
Total income tax credit	**(12.3)**	-	(9.0)	-

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% (2025: 25%).

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

	Group 2026 £'m	**Company 2026 £'m**	Group 2025 £'m	Company 2025 £'m
Opening balance	**(2.5)**	-	(11.1)	**-**
Taken to other comprehensive expenditure:				
- hedge reserve	**1.4**	-	(2.7)	**-**
- hedge reserve adjustment to tax on acquisition	**-**	-	2.3	**-**
Taken to income statement:				
- depreciation in advance of capital allowances	**7.5**	-	8.5	**-**
- temporary timing differences	**5.2**	-	(0.7)	**-**
- adjustments in respect of prior periods	**(0.4)**	-	1.2	**-**
At the end of the period	**11.2**	**-**	(2.5)	**-**

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

	Assets		**Liabilities**		**Net**	
Group	**2026 £'m**	2025 £'m	**2026 £'m**	2025 £'m	**2026 £'m**	2025 £'m
Property, plant and equipment	**29.0**	21.5	-	**-**	**29.0**	21.5
Short-term temporary differences	**7.4**	6.1	**(26.2)**	(29.7)	**(18.8)**	(23.6)
Financial derivatives	**1.0**	**-**	-	(0.4)	**1.0**	(0.4)
Net deferred income tax assets/ (liabilities)	**37.4**	27.6	**(26.2)**	(30.1)	**11.2**	(2.5)

	Assets		**Liabilities**		**Net**	
Company	**2026 £'m**	2025 £'m	**2026 £'m**	2025 £'m	**2026 £'m**	2025 £'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
At 25 February 2024	-	11.0	11.1	22.1
Credited to the income statement	-	10.5	(5.0)	5.5
Taken directly to other comprehensive income	-	-	-	-
At 22 February 2025	-	21.5	6.1	27.6
At 23 February 2025	-	21.5	6.1	27.6
Credited to the income statement	-	7.5	1.3	8.8
Taken directly to other comprehensive income	1.0	-	-	1.0
At 28 February 2026	**1.0**	**29.0**	**7.4**	**37.4**

The directors consider it probable that there will be sufficient taxable profits in the future such as to recognise the deferred income tax assets based upon the expected utilisation of accumulated capital allowances and tax losses using highly sensitised forecast assumptions of trading performance, consistent with the assumptions used for impairment assessments over a six year period.

The Group had an unrecognised deferred income tax asset of £30.4m (2025: £31.0m) at the end of the period attributable to tax losses calculated using a tax rate of 25% (2025: 25%), based on tax losses forecast not to be utilised within the foreseeable assessment period, but which currently remain available for utilisation by the company indefinitely.

Deferred income tax liabilities

	Financial derivatives £'m	Accelerated tax depreciation £'m	Short term temporary differences £'m	Total £'m
At 25 February 2024	-	-	(33.2)	(33.2)
Credited to the income statement	-	-	3.5	3.5
Taken directly to other comprehensive income	(0.4)	-	-	(0.4)
At 22 February 2025	(0.4)	-	(29.7)	(30.1)
At 23 February 2025	(0.4)	-	(29.7)	(30.1)
Credited to the income statement	-	-	3.5	3.5
Taken directly to other comprehensive income	0.4	-	-	0.4
At 28 February 2026	-	-	**(26.2)**	**(26.2)**

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
At 25 February 2024	121.2	0.6	73.4	0.7	195.9
Additions	6.1	0.2	6.4	2.5	15.2
Disposals	(0.3)	-	-	-	(0.3)
Transfers	-	-	1.2	(1.2)	-
At 22 February 2025	127.0	0.8	81.0	2.0	210.8
At 23 February 2025	127.0	0.8	81.0	2.0	210.8
Additions	13.1	0.2	11.1	10.6	35.0
Disposals	-	-	-	-	-
Transfers	0.7	-	1.3	(2.0)	-
At 28 February 2026	**140.8**	**1.0**	**93.4**	**10.6**	**245.8**
Accumulated depreciation					
At 25 February 2024	21.8	0.1	14.8	-	36.7
Charge for the period	24.9	0.1	15.6	-	40.6
Impairment	1.3	-	-	-	1.3
Disposals	(0.3)	-	-	-	(0.3)
At 22 February 2025	47.7	0.2	30.4	-	78.3
At 23 February 2025	47.7	0.2	30.4	-	78.3
Charge for the period	22.8	0.1	16.4	-	39.3
Impairment	0.4	-	0.3	-	0.7
Disposals	-	-	-	-	-
At 28 February 2026	**70.9**	**0.3**	**47.1**	**-**	**118.3**
Net book value					
At 28 February 2026	**69.9**	**0.7**	**46.3**	**10.6**	**127.5**
Net book value					
At 22 February 2025	79.3	0.6	50.6	2.0	132.5
Net book value					
At 24 February 2024	99.4	0.5	58.6	0.7	159.2

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 £0.6m (2025: £1.3m) of non-cash items included in the balance.

The Company has no property, plant and equipment (2025: £nil).

12. Intangible assets

Group	Brands £'m	Franchise agreements £'m	Computer software and associated costs £'m	Assets under construction £'m	Total £'m
Cost					
At 25 February 2024	102.1	10.9	40.6	1.6	155.2
Additions	-	-	2.4	2.7	5.1
Transfers	-	-	1.6	(1.6)	-
At 22 February 2025	102.1	10.9	44.6	2.7	160.3
At 23 February 2025	102.1	10.9	44.6	2.7	160.3
Additions	-	-	2.8	8.5	11.3
Transfers	-	-	2.7	(2.7)	-
At 28 February 2026	**102.1**	**10.9**	**50.1**	**8.5**	**171.6**
Aggregate amortisation					
At 25 February 2024	7.4	1.7	12.3	-	21.4
Charge for the period	6.8	1.6	9.9	-	18.3
Impairments	-	1.5	-	-	1.5
At 22 February 2025	14.2	4.8	22.2	-	41.2
At 23 February 2025	14.2	4.8	22.2	-	41.2
Charge for the period	6.8	1.5	7.9	-	16.2
Impairments	-	1.6	0.1	-	1.7
At 28 February 2026	**21.0**	**7.9**	**30.2**	**-**	**59.1**
Net book value					
At 28 February 2026	**81.1**	**3.0**	**19.9**	**8.5**	**112.5**
Net book value					
At 22 February 2025	87.9	6.1	22.4	2.7	119.1
Net book value					
At 24 February 2024	94.7	9.2	28.3	1.6	133.8

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

For purchase of intangible assets, in the period there are £0.2m (2025: £1.7m) of non-cash items included in the balance due to the timing of capital payments.

The Company has no intangible assets (2025: £nil).

13. Goodwill

	Group 2026 £'m	Group 2025 £'m
Opening balance	**3.4**	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, on 26 January 2023, 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. 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**
22 February 2025 and 28 February 2026	**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 2026 £'m	Group 2025 £'m
Finished goods	**128.5**	115.4

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £449.1m (2025: £475.3m).

Finished goods stock is stated net of provisions. At 28 February 2026, the net realisable value inventory provision amounted to £6.2m (2025: £6.6m). 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: 31%
- Current season stock: 35%
- 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 £9.4m (2025: £10.1m).

During the period, the Group has charged £(6.9)m (2025: £(12.5)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 2026 £'m	Group 2025 £'m
Trade receivables	**16.3**	11.4
Prepayments	**21.0**	20.6
	37.3	32.0

The Company is owed £0.3m by group undertakings at the period end (2025: £nil). Amounts owed to group undertakings are repayable on demand and therefore presented as current.

17. Cash and cash equivalents

	Group 2026 £'m	Group 2025 £'m
Restricted cash at bank	**3.3**	3.9
Unrestricted cash at bank and in hand	**76.6**	86.0
Total cash and cash equivalents	**79.9**	89.9

The Company has no cash and cash equivalents (2025: £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 2026 £'m	Group 2025 £'m
Current		
Accrued interest on £61.2m 10.0% Super Senior Notes (Tranche 1)	**(2.3)**	(2.2)
Accrued interest on £25.0m 10.0% Super Senior Notes (Tranche 2)	**(0.9)**	(0.9)
Accrued interest on £25.0m 10.0% Super Senior Notes (Tranche 3)	**(0.9)**	-
Accrued interest on £75.0m SONIA plus 5.5% Priority Notes	**(0.9)**	(0.8)
Accrued interest on £194.8m 10.0% Senior Secured Notes	**(7.3)**	(7.1)
	(12.3)	(11.0)
Non-current		
£61.2m 10.0% Super Senior Notes (Tranche 1) (fair valued and net of £1.5m issue costs (February 2025: £2.3m)) maturity date 2027	**(61.2)**	(61.2)
£25.0m 10.0% Super Senior Notes (Tranche 2) (net of £nil issue costs (February 2025: £nil)) maturity date 2027	**(25.0)**	(25.0)
£25.0m 10.0% Super Senior Notes (Tranche 3) (net of £nil issue costs (February 2025: £nil)) maturity date 2027	**(25.0)**	-
£75.0m SONIA plus 5.5% Priority Notes (fair valued and net of £2.1m issue costs (February 2025: £3.1m)) maturity date 2027	**(74.9)**	(75.1)
£194.8m 10.0% Senior Secured Notes (fair valued and net of £5.5m issue costs (February 2025: £7.4m)) maturity date 2028	**(164.4)**	(157.0)
	(350.5)	(318.3)

The Company has no borrowings (2025: £nil).

18. Financial liabilities – borrowings (continued)

Borrowings are all denominated in sterling at 28 February 2026. 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.

On 26 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 7 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.

During the period, the Group successfully negotiated an additional £25m of Super Senior Note funding (Tranche 3) from its investor group, which was drawn in full in April 2025.

The Group also gained consent to extend the debt maturity date of the Super Senior Notes from 31 January 2027 to 1 December 2027, and to extend the debt maturity date of the New Priority Notes from 31 July 2027 to 31 December 2027.

On 19 September 2025, the Group participated in a partial bond buy back of the Senior Secured Notes resulting in a reduction of the principal amount of the debt by £5.0m. This reduced the capital value of the issued notes from £199.8m to £194.8m. The cash consideration for this transaction was £3.7m, with the bonds holding a fair value of £4.2m at that date resulting in an exceptional gain of £0.5m to finance income, see note 30 for details.

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.

18. Financial liabilities – borrowings (continued)

Maturity of borrowings

	Group	Group
	2026	2025
	£'m	£'m
Less than one year	**-**	-
One to five years	**381.0**	361.0
Five to ten years	-	-
	381.0	361.0
Accrued interest	**12.3**	11.0
IFRS 9 fair value adjustment	**(21.4)**	(29.9)
Unamortised issue costs	**(9.1)**	(12.8)
	362.8	329.3
Current	**12.3**	11.0
Non-current	**350.5**	318.3
	362.8	329.3

Borrowing facilities

The Matalan Group holds an £8.0m cash-collateralised ancillary facility which it has negotiated with its bankers. These facilities are held within Matalan AF Limited for the benefit of 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 28 February 2026, the table below reflects the usage of the AF (ancillary facility):

	Group	Group
	2026	2025
	£'m	£'m
Letters of credit	-	-
Guarantees	**3.3**	3.3
Unused	**4.7**	4.7
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 2026 £'m	Group 2025 £'m
Trade payables	**(105.0)**	(77.7)
Other tax and social security payables	**(13.2)**	(19.2)
Other creditors	**(4.5)**	(7.5)
Accruals	**(32.9)**	(34.2)
	(155.6)	(138.6)

	Group 2026 £'m	Group 2025 £'m
Current	**(155.6)**	(137.0)
Non-current	**-**	(1.6)
	(155.6)	(138.6)

The Company owes group undertakings of £3.1m (2025: £3.1m) at the period end. Amounts owed to group undertakings are repayable on demand and therefore presented as current. The non-current liability in the prior period represents capital financing for environmentally sustainable store improvements, including LED lighting.

20. Derivative financial instruments

Group

	2026		2025	
	Assets £'m	**Liabilities £'m**	Assets £'m	Liabilities £'m
Forward foreign exchange contracts	**0.9**	**(5.8)**	2.9	(1.7)
Total	**0.9**	**(5.8)**	2.9	(1.7)
Less non-current portion:				
Forward foreign exchange contracts	**0.6**	**(0.1)**	1.0	-
Non-current portion	**0.6**	**(0.1)**	1.0	-
Current portion	**0.3**	**(5.7)**	1.9	(1.7)

The Company has no derivative financial instruments.

The amount that was recognised in the Statement of comprehensive expenditure during the period net of tax was £(4.1)m (2025: £1.2m). The amount that was transferred from equity to the initial cost of inventory, and then to the income statement in the period was £nil (2025: £nil). The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to £nil (2025: £0.4m).

20. Derivative financial instruments (continued)

Forward foreign exchange contracts

The total principal value of forward foreign exchange contracts at 28 February 2026 was $470.0m (2025: $318.0m).

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

	2026	2025
	£'m	£'m
Maturing within one year	**281.0**	227.8
Maturing between one to two years	**72.7**	22.8
	353.7	250.6

The net fair value of losses as at 28 February 2026 on open forward foreign exchange contracts that hedge the foreign currency risk of purchases are £(4.9)m (2025: £1.2m gains). 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	**2026**	2025
	£'m	£'m
Maturing within one year	**(5.4)**	0.2
Maturing between one to two years	**0.5**	1.0
	(4.9)	1.2

21. Provisions for other liabilities and charges

Group

	Other Provisions	**Dilapidations**	**Total**
	£'m	**£'m**	**£'m**
At 23 February 2025	(0.7)	(4.1)	(4.8)
Charged in the period	(0.6)	(1.9)	(2.5)
Released in the period	0.8	-	0.8
At 28 February 2026	**(0.5)**	**(6.0)**	**(6.5)**

	2026	2025
	£'m	£'m
Analysis of total provisions:		
Current	**(0.5)**	(0.7)
Non-current	**(6.0)**	(4.1)
	(6.5)	(4.8)

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. See Note 2.4 for further details.

22. Share capital and reserves

Ordinary share capital

Group and Company

	Par value per Share	**Number 2026**	**Value 2026 £**	Number 2025	Value 2025 £
Ordinary Shares					
A Ordinary shares	0.0001p	**10,035,833**	**1.0**	10,000,000	1.0
B Ordinary shares	Nil	**974,800**	**-**	-	-
C Ordinary shares	Nil	**974,800**	**-**	-	-
D Ordinary shares	Nil	**974,800**	**-**	-	-
		12,960,233	**1.0**	10,000,000	1.0

A Ordinary A Shares

	0.00001p A Ordinary shares Number	**Total value £**
Issued and fully paid at 23 February 2025	10,000,000	1.0
Issued and fully paid in the period	35,833	-
Issued and fully paid at 28 February 2026	**10,035,833**	**1.0**

B, C and D Ordinary Shares

	2026 Number	**Total Price £**
Issued and fully paid at 23 February 2025	-	-
Granted during the period	2,949,600	126,833
Forfeited during the period	(25,200)	(1,084)
Issued and fully paid at 28 February 2026	**2,924,400**	**125,749**

Reserves

Hedge reserve
The hedge reserve loss of £(2.9)m (2025: £1.2m gain) 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.

On 31 July 2025, a further 35,833 A Ordinary shares were issued, for a purchase value of £215,000. Any difference between the carrying amount and the consideration, is recognised in capital contribution reserve.

22. Share capital and reserves (continued)

Capital contribution reserve (continued)
The Group has a management incentive scheme under which managers, who are invited, can subscribe for a fixed proportion of B, C and D Ordinary shares. All B, C and D ordinary shares issued during the financial period were acquired at unrestricted market value calculated at the inception of the scheme. As the B, C and D ordinary shares all have a nil par value, the cash consideration paid from employees is recorded in the capital contribution reserve.

Share capital
In June 2026, as part of a wider equity restructure to support the introduction of a new management incentive plan ("MIP"), the 10,000,000 Ordinary shares in Maryland Holdco Limited at the beginning of the financial period were renamed 'A Ordinary Shares'.

On 31 July 2025, a further 35,833 A Ordinary shares were issued, for a purchase value of £215,000, based upon an unrestricted market value of £6.00 per share.

In addition, three new classes of share capital were introduced during the financial period – B, C and D Ordinary Shares. All three new classes of share hold no voting rights, no rights to dividend payments and only generate value for the holders of these shares on an exit. Selected key management personnel were then invited to subscribe to a fixed proportion of B, C and D shares, with the proportions offered to each manager dependent on their role and position within the company. The purpose being to align the interests of the institutional shareholders with the key management team on the grounds that, if the business performs well, the shareholders and managers should then share in the resulting growth in the value of the business at the time of a future sale or IPO. Managers, who wished to participate in the management incentive plan, were able to acquire these B, C, & D shares at their unrestricted market value calculated with the support of an independent valuer at the inception of the scheme.

The issued shares have a nil par value, and therefore the proceeds have been recognised in the capital contribution reserve.

23. Cash flows from operating activities

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

	Note	**Group 2026 £'m**	Group 2025 £'m
Cash generated from continuing operations			
Loss for the period		**(42.4)**	(58.2)
Adjustments for:			
Tax	10	**(12.3)**	(9.0)
Finance costs	5	**92.3**	87.8
Finance income	5	**(1.1)**	(1.9)
Exceptional finance costs	5/30	**1.1**	-
Exceptional finance income	5/30	**(0.5)**	-
Depreciation	11/25	**94.6**	98.2
Amortisation of intangibles	12	**16.2**	18.3
Impairment of loss-making stores	30	**3.4**	8.1
Impairment of PPE in closed stores	30	**0.7**	1.3
Impairment of intangible assets in closed stores	30	**0.1**	-
Impairment of franchise intangible asset	30	**1.6**	1.5
Inventory write-offs	15	**6.9**	12.5
Adjustment for inventory provisions	15	**0.4**	-
Adjustment for provisions	21	**1.7**	(2.7)
Hedge accounting		**-**	-
Operating cash flows before movements in working capital		**162.7**	155.9
Movements in working capital			
Increase in inventories		**(21.2)**	(22.2)
(Increase)/ decrease in trade and other receivables		**(5.4)**	0.9
Increase/ (decrease) in trade and other payables		**15.0**	(20.3)
Net cash flows from operating activities		**151.1**	114.3

The Company had no cash flows in the 53 weeks ended 28 February 2026 (2025: £nil).

24. Reconciliation of debt

Group

	2026			2025		
	Loans and borrowings £'m	**Lease liabilities £'m**	**Total £'m**	Loans and borrowings £'m	Lease liabilities £'m	Total £'m
Opening balance	**(329.3)**	**(353.2)**	**(682.5)**	(319.4)	(367.8)	(687.2)
Loan issuance	(25.0)	-	**(25.0)**	-	-	-
Repayment of lease liabilities	-	61.2	**61.2**	-	62.3	62.3
Interest paid	37.2	38.4	**75.6**	36.4	36.5	72.9
Repayment of borrowings	3.7	-	**3.7**	-	-	-
Exceptional finance income	0.5	-	**0.5**	-	-	-
Amortisation of issue costs	(3.7)	-	**(3.7)**	(3.5)	-	(3.5)
Interest expense	(46.2)	(42.0)	**(88.2)**	(42.8)	(40.9)	(83.7)
Lease modifications and additions	-	(38.2)	**(38.2)**	-	(43.3)	(43.3)
Closing balance	**(362.8)**	**(333.8)**	**(696.6)**	(329.3)	(353.2)	(682.5)

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	Warehouse and Other	Total
	£'m	£'m	£'m
Cost			
At 25 February 2024	299.3	63.7	363.0
Additions	6.6	1.8	8.4
Modifications	35.3	-	35.3
Disposals	(0.5)	(0.3)	(0.8)
At 22 February 2025	340.7	65.2	405.9
At 23 February 2025	340.7	65.2	405.9
Additions	1.3	1.1	2.4
Modifications	38.5	-	38.5
Disposals	(1.5)	-	(1.5)
At 28 February 2026	**379.0**	**66.3**	**445.3**
Accumulated depreciation			
At 25 February 2024	71.6	3.9	75.5
Charge for the period	50.8	6.8	57.6
Impairment	8.1	-	8.1
At 22 February 2025	130.5	10.7	141.2
At 23 February 2025	130.5	10.7	141.2
Charge for the period	48.8	6.5	55.3
Impairment	3.4	-	3.4
Disposals	(1.5)	-	(1.5)
At 28 February 2026	**181.2**	**17.2**	**198.4**
Net book value			
At 28 February 2026	**197.8**	**49.1**	**246.9**
Net book value			
At 22 February 2025	210.2	54.5	264.7
Net book value			
At 24 February 2024	227.7	59.8	287.5

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:

53 weeks ended 28 February 2026 – Leases under IFRS 16	**2026 £'m**
Interest on lease liabilities	**42.1**
Income from sub-leasing right-of-use assets presented within interest	**(0.1)**

52 weeks ended 22 February 2025 – Leases under IFRS 16	**2025 £'m**
Interest on lease liabilities	**41.0**
Income from sub-leasing right-of-use assets presented within interest	**(0.1)**

Amounts recognised in statement of cash flows	**2026 £'m**
Interest paid in respect of lease liabilities	**38.4**
Repayment of lease liabilities	**61.2**

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.

2026 Lease liabilities	**2026 £'m**
Within one year	**89.4**
Between one and two years	**97.9**
Between two to five years	**157.2**
Over five years	**138.5**
Total	**483.0**

2025 Lease liabilities	2025 £'m
Within one year	100.5
Between one and two years	116.5
Between two to five years	190.4
Over five years	179.9
Total	587.3

Set out below are the carrying amounts of lease liabilities:

	2026 £'m	2025 £'m
Current	**83.5**	89.6
Non-current	**250.3**	263.6
	333.8	353.2

26. Capital commitments

The capital expenditure for the Group that has been contracted for but not provided at 28 February 2026 was £5.1m (2025: £7.3m). The Company has £nil capital commitments at 28 February 2026 (2025: £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. During the financial period, key management personnel including directors and executive officers, were invited to subscribe for 1,538,400 B, C and D ordinary shares for aggregate consideration of £66,152 under the management incentive scheme. All three new classes of shares hold no voting rights, no right to dividend payments and only generate value for the holders of these shares on an exit. Participants are required to remain in employment at the relevant exit date to benefit. During the financial period a director of the Company also acquired 35,833 A ordinary shares for £215,000. See note 22 for further details. 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 28 February 2026 is £nil (2025: £nil).

There is no ultimate parent undertaking for Maryland Holdco Limited and company above Maryland Holdco Limited that prepares consolidated accounts. There is no one party or fund 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 one party or fund holds 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. Exceptional items

Exceptional items are comprised as follows:

	Group 2026 £'m	Group 2025 £'m
Impairment of stores	**(3.4)**	(8.1)
Impairment of Property, Plant and Equipment in closed stores	**(0.7)**	(1.3)
Impairment of intangible assets in closed stores	**(0.1)**	-
Impairment of franchise intangible asset	**(1.6)**	(1.5)
Exceptional items – cost of sales	**(5.8)**	(10.9)
Restructuring costs	**(2.1)**	(1.5)
Dual running costs	**(0.9)**	-
SaaS implementation costs	**(2.7)**	(0.7)
Exceptional items – administrative expenses	**(5.7)**	(2.2)
Finance expenses	**(1.1)**	**-**
Finance income	**0.5**	**-**
Exceptional items – net finance expenses	**(0.6)**	**-**
Total exceptional items	**(12.1)**	(13.1)

Impairment of stores
During the 53 weeks ended 28 February 2026, the carrying value of the right-of-use asset was impaired by £3.4m (2025: £8.1m) 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 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 53 weeks ended 28 February 2026, property, plant and equipment with a carrying value of £0.7m (2025: £1.3m) relating to a number of stores either closed during FY26 or marked for closure in FY27 were impaired by the Group as management have deemed that the Group will not derive any future financial benefit from these assets.

Impairment of intangible assets
During the 53 weeks ended 28 February 2026, intangible assets with a carrying value of £0.1m (2025: £nil) relating to a number of stores either closed during FY26 or marked for closure in FY27 were impaired by the Group as management have deemed that the Group will not derive any future financial benefit from these assets.

Impairment of franchise intangible asset
During the 53 weeks ended 28 February 2026, the carrying value of the intangible Franchise agreement asset was impaired by £1.6m (2025: £1.5m). This assessment was made given the continued macro-economic and political conditions in the Middle East and Southern Mediterranean, where the majority of our franchise income is derived from by value.

Restructuring costs
Following a number of employment contracts being terminated in the period, restructuring costs of £2.1m (2025: £1.5m) have been incurred in the 53 weeks ended 28 February 2026.

30. Exceptional items (continued)

Dual running costs
During the 53 weeks ended 28 February 2026, the Group incurred costs of £0.9m (2025: £nil) associated with the dual running costs of the warehouse management system as it transitions to a new operating model, due to the need for the availability of the new model for testing purposes during the implementation phase.

SaaS implementation costs
During the 53 weeks ended 28 February 2026, the Group incurred costs related to the ongoing transition of the warehouse management system to a SaaS operating model of £2.7m (2025: £0.7m).

Finance expenses
During the 53 weeks ended 28 February 2026, the Group incurred exceptional finance costs in relation to the drawdown of the Super Senior Notes (Tranche 3) facility and amendments made to the loan note indentures of £1.1m (2025: £nil).

Finance income
During the 53 weeks ended 28 February 2026, the Group generated exceptional finance income of £0.5m (2025: £nil) in relation to the bond buy-back, with the bonds repurchased at a discount to fair value on the buy-back date.