

**M&O BUSINESS SYSTEMS
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001

M&O BUSINESS SYSTEMS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2001

Company registration number: 1317353

Registered office: Wellmans Road
Willenhall
West Midlands
WV13 2QT

Directors: Mr G A Oldridge
Mr D P Dodd
Mr S K Smith

Secretary: Mrs T Smith

Bankers: National Westminster Bank plc
124 The Broadway
Didcot
Oxon
OX11 8AD

Solicitors: Herbert Mallam Gowers
West Way House
Elms Parade
Oxford
OX2 9LL

Auditors: Grant Thornton
Registered auditors
Chartered accountants
1 Westminster Way
Oxford
OX2 0PZ

M&O BUSINESS SYSTEMS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2001

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M&O BUSINESS SYSTEMS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Principal activity

The company was principally engaged in the sale of computer equipment and the preparation and sale of computer programmes until 31 May 2001. Since that date the company has not traded.

Business review

There was a loss for the year after taxation amounting to £ 80,483 (2000: £ 50,089). The directors do not recommend the payment of a dividend.

Directors

The present membership of the Board is set out below. All the directors served on the Board throughout the year. Mr J A Bierman resigned from the Board on 31 May 2001.

The interests of the directors and their families in the shares of the company as at 1 January 2001 and 31 December 2001 were as follows:

	Ordinary shares of £1 each	
	2001	2000
Mr G A Oldridge	300	300
Mr D P Dodd	-	-
Mr S K Smith	-	-

Mr S K Smith holds 24,500 (2000: 24,500) ordinary shares in the parent undertaking, Poundland plc.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

M&O BUSINESS SYSTEMS LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

Small company exemption

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD



George Oldridge
Director

29/5/2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

M&O BUSINESS SYSTEMS LIMITED

We have audited the financial statements of M&O Business Systems Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and notes on pages 9 to 12. These financial statements have been prepared under the accounting policies set out therein and in accordance with the Financial Reporting Standards for Smaller Entities (effective March 2000).

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

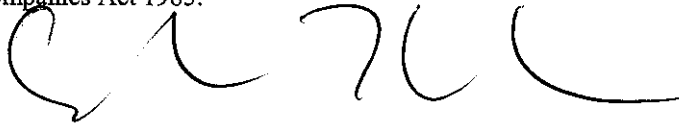
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'G. Thornton', written over the printed name.

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

OXFORD

5 June 2002

M&O BUSINESS SYSTEMS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company in the ordinary course of the business for goods supplied and for services provided. Sales of computer equipment are recognised at the earlier of either the time the equipment is delivered to the customer or the time at which the company begins to carry out software work, specifically ordered by the particular customer.

Non refundable deposits received at the time an order is confirmed are not recognised as income until the complete sale is recognised.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Alterations to leasehold premises	7 years
Motor vehicles	4 years
Software	4 years
Office and computer equipment	3 to 7 years

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

STOCKS

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

M&O BUSINESS SYSTEMS LIMITED

PRINCIPAL ACCOUNTING POLICIES

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

SOFTWARE PACKAGES AND DEVELOPMENT COSTS

Software costs are charged to profits in the period in which they are incurred, unless they relate to specialist programmes developed for a specific market. The costs of such specialist programmes are written off over the period in which they are expected to produce sales revenue.

M&O BUSINESS SYSTEMS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	1	272,904	576,271
Cost of sales		<u>(234,097)</u>	<u>(454,328)</u>
Gross profit		38,807	121,943
Distribution costs		(2,934)	(6,994)
Administrative expenses		<u>(114,203)</u>	<u>(163,348)</u>
Operating loss		(78,330)	(48,399)
Net interest	2	<u>(378)</u>	<u>(1,690)</u>
Loss on ordinary activities before taxation	1	(78,708)	(50,089)
Tax on loss on ordinary activities	4	<u>1,775</u>	<u>-</u>
Loss transferred from reserves	11	<u>(80,483)</u>	<u>(50,089)</u>

There were no recognised gains or losses other than the loss for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

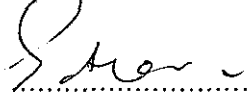
M&O BUSINESS SYSTEMS LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	5	-	33,947
Current assets			
Stocks	6	-	5,425
Debtors	7	715	62,581
Cash at bank and in hand		19,044	13,370
		<u>19,759</u>	<u>81,376</u>
Creditors: amounts falling due within one year	8	<u>(23,629)</u>	<u>(77,772)</u>
Net current (liabilities)/assets		(3,870)	3,604
Total assets less current liabilities		<u>(3,870)</u>	<u>37,551</u>
Creditors: amounts falling due after more than one year	9	<u>(112,472)</u>	<u>(73,410)</u>
		<u>(116,342)</u>	<u>(35,859)</u>
Capital and reserves			
Called up share capital	10	2,400	2,400
Profit and loss account	11	<u>(118,742)</u>	<u>(38,259)</u>
Shareholders' funds		<u>(116,342)</u>	<u>(35,859)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

The financial statements were approved by the Board of Directors on


George Oldridge 29/05/2002. Director

The accompanying accounting policies and notes form an integral part of these financial statements.

M&O BUSINESS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after:

	2001 £	2000 £
Auditors' remuneration	4,500	4,500
Depreciation:		
Tangible fixed assets owned	9,688	7,490
Tangible fixed assets held under finance leases and hire purchase contracts	3,104	7,450
Other operating lease rentals	<u>10,402</u>	<u>15,528</u>

2 NET INTEREST

	2001 £	2000 £
Other interest payable and similar charges	378	1,726
Other interest receivable and similar income	-	(36)
	<u>378</u>	<u>1,690</u>

3 DIRECTORS

	2001 £	2000 £
Directors' remuneration	27,152	62,708
Compensation for loss of office	<u>16,980</u>	-
	<u>44,132</u>	

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge of £1,775 represents an adjustment in respect of previous year.

There is no tax liability for either 2001 or 2000 due to tax losses. Unrelieved tax losses of £125,000 (2000: £47,000) remain available to offset against future taxable trading profits.

M&O BUSINESS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2001

5 TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Office and computer equipment £	Total £
Cost			
At 1 January 2001	4,465	74,716	79,181
Transferred to Poundland plc	-	(44,566)	(44,566)
Disposals	(4,465)	(30,150)	(34,615)
At 31 December 2001	-	-	-
Depreciation			
At 1 January 2001	3,365	41,869	45,234
Provided in the year	262	12,530	12,792
Transferred to Poundland plc	-	(26,089)	(26,089)
Disposals	(3,627)	(28,310)	(31,937)
At 31 December 2001	-	-	-
Net book amount at 31 December 2001	-	-	-
Net book amount at 31 December 2000	1,100	32,847	33,947

The net book value of office and computer equipment includes £Nil (2000: £14,899) in respect of assets held under finance leases and similar hire purchase contracts. The amount of depreciation in respect of such assets amounted to £3,104 (2000: £7,450) for the year.

6 STOCKS

	2001 £	2000 £
Stocks	-	5,425

7 DEBTORS

	2001 £	2000 £
Trade debtors	282	21,461
Amounts owed by parent company	-	23,488
Other debtors	433	17,632
	715	62,581

M&O BUSINESS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2001

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade creditors	-	18,383
Amounts owed to parent company	19,129	19,129
Social security and other taxes	-	8,332
Other creditors	4,500	22,150
Amounts due under finance leases	-	9,778
	<u>23,629</u>	<u>77,772</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Amounts owed to parent company	112,472	72,554
Amounts due after finance leases	-	856
	<u>112,472</u>	<u>73,410</u>

10 SHARE CAPITAL

	2001 £	2000 £
Authorised 1000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid 2,400 ordinary shares of £1 each	<u>2,400</u>	<u>2,400</u>

11 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2001	(38,259)
Retained loss for the year	<u>(80,483)</u>
At 31 December 2001	<u>(118,742)</u>

12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2001 and 31 December 2000.

M&O BUSINESS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

13 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2001 and 31 December 2000.

14 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

15 LEASING COMMITMENTS

Operating lease payments amounting to £Nil (2000: £ 15,528) are due within one year. The leases to which these amounts related expired in 2001.

16 TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred during the period with the parent company, Poundland plc:

Sales totalling £170,094 (2000: £307,123) to the parent company.

At 31 December 2001 the following were the intercompany balances:

Due to parent	£19,129 (2000: £19,129)
Due from parent	£Nil (2000: £23,488)
Loan payable to parent	£112,472 (2000: £72,554)

17 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company is Poundland plc incorporated in Great Britain.

Poundland plc is this company's controlling related party by virtue of its share ownership.

The largest group of undertakings for which group accounts have been drawn up is that headed by Poundland plc which is registered in England.