Poundland Limited

Annual report and financial statements

Registered number 2495645

For the 52 week period ended 29 March 2015

Contents

Strategic report

Principal activity and business review

The principal activity of the Company is that of a single price value retailer. The Company also trades in the Irish market, under the brand, 'Dealz'.

Following the successful entry into the Irish market, the Group undertook extensive market research and in July 2014 opened its first 'Dealz' store in Spain. This was the first of five stores opened in the year, and forms part of a low cost, low risk trial. The Spanish trading entity is Dealz Espana SL, an indirect subsidiary of Poundland Limited.

Poundland is Europe's largest single price value retailer, offering for sale throughout the UK, Ireland and Isle of Man a wide variety of general merchandise from almost 600 high street, city centre and retail park stores. The Company trades under the "Poundland" fascia in the UK where all items of merchandise have a single selling price of £1, and under the "Dealz" fascia in the Republic of Ireland where the majority of products have a selling price of €1.49, supplemented by other higher price points, all of which offer amazing value every day to Irish consumers.

Poundland has operated with a single selling price point of £1 since the company was founded in 1990. Our Goal provides the framework upon which we continue to grow our business:

> "At Poundland we deliver amazing value to our customers every day. We will be famous for our wide range of great products and top brands, offering many exciting new lines every week. Poundland will always be fun and friendly with something for everyone."

Poundland's retail proposition is robust, with over five million customer transactions undertaken in our stores every week. We are a price driven, volume led business that delivers amazing value across seventeen merchandise categories, covering approximately 3,500 product lines including over 1,000 well known branded products and a multitude of one-off "wow" purchases that are simply irresistible to the discerning value driven consumer.

Our extensive product assortment delivers a wide and compelling choice for our customers and includes branded and own label products across a variety of categories including food and drink, household, DIY, homeware, clothing, stationery, toys, entertainment, and health and beauty. The vast majority of famous brands that we offer are sourced directly from major manufacturers including Cadbury (Mondelez UK), Mars, Heinz, Nestle and Colgate. Our seasonal event product range is also an important part of our overall consumer offer. We provide our customers with amazing value products for key seasons, including Christmas, Easter, Halloween, Back to School and Gardening. In the period we launched our first celebrity endorsed project range, Jane Asher's Kitchen, which very quickly became one of our most successful launches ever.

In the period, we opened a net 60 new stores. We will continue to focus on opening stores at a similar rate across the UK and the Republic of Ireland. We will also continue to explore new growth opportunities, including further expansion into Spain and continental Europe, the development of a transactional website and new store formats.

Results and dividends

The results for the 52 week period are set out in the profit and loss account on page 10. A dividend of £45.1 million was paid in August 2014. This dividend was part of the Post Admission steps referred to in the initial public offering pathfinder prospectus for Poundland Group plc, the company's ultimate parent, enabling the offsetting of intra Group balances. As a result of this exercise, the company was released from certain of its intra-group liabilities and recognised a corresponding capital contribution reserve within equity. Further, the group structure was reorganised to help prevent the erosion of profit and loss reserves between the subsidiaries. As a result, ownership of the Company was transferred from Poundland Willenhall Limited to Poundland Holdings Limited.

The Company paid a further dividend of £3.8 million in January 2015, facilitating the payment of an interim dividend by the ultimate parent company, Poundland Group plc. In the 52 weeks ended 30 March 2014, the Company paid a dividend of £53.2 million. As a result of this prior period dividend, the Group returned £20 million to shareholders via a redemption of preference share capital (in the then ultimate parent, Poundland Group Holdings Limited).

Strategic report *(continued)*

Results and dividends (continued)

Turnover increased by 11.4% in the period. This was the result of LFL growth and the increased number of stores in the estate. During the period, a net 60 stores were opened across the UK and the Republic of Ireland. At the period end, the Company operated from 588 stores.

Gross profit has increased by 12.0% and, at 37.1%, gross margin shows a slight improvement on the prior period as a percentage of turnover. Improved buying power, the increased proportion of own label products in the sales mix and the increased number of Dealz and retail park stores in the estate have compensated for the negative impact of inflation and the impact of the weakening Euro.

Underlying operating costs as a percentage of turnover is 32.9%. This is slightly behind prior period *(2014: 32.6%)* as a result of the additional costs of being part of a publicly listed group.

Underlying profit after tax has increased by 13.8% on prior period. Underlying EBITDA, at £61.0 million, has increased by 10% in the period.

The Company has incurred non underlying operating costs in the period. £1,541,000 relate to the relocation of the distribution facility in the South East of England, together with the costs of disposing of the existing temporary facility. £93,000 relates to costs associated with the ultimate parent company's (Poundland Group plc) successful IPO in March 2014 *(2014: £1,473,000)*. £152,000 relates to costs incurred in relation to the Group's strategic initiatives of expansion into Continental Europe *(2014: £1,277,000)*. During the period, the company acquired a Spanish subsidiary via its own subsidiary, Poundland International Limited. In July 2014 the first Spanish store opened, and further non underlying costs relating to the Spanish trial have been expensed through the Spanish company in the period.

Total profit after tax has increased by 17.8% on prior period. The growth is distorted by the significant non-underlying costs incurred in both periods.

The cash generating ability of the Company continues to be strong. The Group's debt is held by Poundland Holdings Limited, therefore the cash position of the Company needs to be viewed in the context of the Group's overall net debt position, which has improved by £18.7 million in the period. At 29 March 2015, Group net funds were £13.9 million *(2014: net debt of £4.7 million)*. At 29 March 2015, the Company only cash position was £5.3 million lower than at the previous period end as Poundland Limited has funded the £28.0 million repayment of the Group's debt revolving credit facility.

In the period, the Company also supported the working capital of the Spanish trial and invested £2.2 million in the 5 Spain stores opened in the period. The Company also funded £18.5 million of capital investment in its new stores, its existing retail estate, its distribution centres (including Harlow) and its IT infrastructure; and the £3.8 million interim dividend paid in January 2015.

In the prior period, on 17 March 2014, the Group restructured its debt facility, repaying the outstanding term debt in full and replacing the working capital and revolving credit facility. This new working capital and revolving credit facility of £55.0 million is with a syndicate of banks, for which Lloyds Bank Plc continues to act as agent. The other members of the banking syndicate are: Barclays Bank Plc, The Royal Bank of Scotland Plc and Santander UK Plc.

Outlook

The year just ended has been a good one. We have delivered our IPO commitments and laid the foundations for future growth. Looking further ahead, we believe that the Poundland and Dealz brands are still under-exploited in both the UK and in Ireland, with many more years of new store opening growth.

We face a number of headwinds in the current financial year. The most significant of these is the weak Euro. It should also be noted that the first half of the year just ended was an exceptional period, benefitting from a late Easter, fewer competitor openings, warm weather, soft comparables and the 'one-off' loom bands craze.

Our strong pipeline of new stores will deliver our unique retail proposition to well over 5.5 million customers a week by the end of the current financial year. We are planning to open at least 60 net new stores, including 10 Dealz stores in Ireland.

Strategic report *(continued)*

Outlook (continued)

We also believe that the Group's potential acquisition of 99p Stores is an outstanding one off opportunity for us and makes sense for both our consumers and for our stakeholders. We expect a year of progress and we look forward to the future with confidence.

Principal risks and uncertainties

Economic

In common with many other retail businesses, the principal risks in the current period of economic uncertainty include a potential reduction in customer demand. Other significant risks include the potential threats from competitors and from changes in consumer spending patterns. The Company has managed these material risks by ensuring that its customers are provided with a range of products which suit their needs, are competitively priced, offer amazing value, and are supported by excellent customer service, in order to enhance its market-leading position.

The Company sources products from a variety of locations including international markets. It is exposed to movement in the price and supply of key raw materials and foreign currency fluctuations on certain purchases sourced from overseas. Both raw material prices and currency rates have been subject to increased volatility in the prevailing economic climate. These risks are managed by spreading the source of supply and hedging policies for currency.

The Company's expansion into the Republic of Ireland and the volatility of the Euro over the financial year means the Company is exposed to foreign currency fluctuations in the trading results of certain branches. This constitutes a growing proportion of overall trading performance, and, is the focus of close management scrutiny and will continue to be as the Irish branch expands and the Group opens more stores in Spain.

These risks are managed by hedging policies which include the use of Euro forward foreign exchange contracts.

Operational

The Company's continued growth is dependent on continuing to open stores in profitable locations on a timely basis and to increase sales from the existing estate. The Company's highly motivated and experienced property department are constantly working to identify and secure attractive locations for new stores, including the selection of the most appropriate store format. The Company seeks to ensure continued growth within the existing estate by the development of an in depth understanding of local market conditions and competition, the delivery of excellent customer service and the recruitment of high quality store management and colleagues.

The Company's logistics and distribution infrastructure underpins its success. Unexpected delivery delays resulting from severe weather or disruptions to the national or international transportation infrastructure or increases in costs could materially impact the business. The Company continually reviews its distribution network; and the replacement of the Hoddesdon distribution centre with the 350,000 square foot purpose built warehouse in Harlow has increased the Company's distribution capacity in the current year to approximately 750 stores, and enabled the Company to explore further efficiency savings.

The Company's cash flows from operations may be negatively affected if it does not successfully manage its inventory balances or level of inventory shrinkage. Throughout its history, the Company has successfully maintained sufficient inventory levels and continues to employ the good habits that it has gained through this extensive experience. As is the case for all retailers, inventory shrinkage is an unavoidable cost of doing business; however, the Company employs measures that will reduce the impact.

Further details of the principal risks and uncertainties facing the Company are included in the Annual Report and consolidated financial statements of Poundland Group Plc.

Strategic report *(continued)*

Policy and practice on payment of creditors

Provided that a supplier is complying with the relevant terms and conditions, including prompt and complete submission of all specified documentation, payment will be made in accordance with these agreed terms. Company policy is to ensure that suppliers know the terms on which payment will take place at the time of entering a transaction. The Company does not follow any code or standard on payment practice.

Company trade creditors, expressed as the number of days of purchases, represented 32 days at the period end (30 March 2014: 30 days).

Employees

The Company is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disabilities. In the event of colleagues becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged.

Colleagues are kept informed regarding the Company's affairs and are consulted on a regular basis through meetings wherever feasible and appropriate.

By order of the board

NR Hateley
Director

29 July 2015

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 29 March 2015 *(2014: 52 weeks ended 30 March 2014)*.

Directors

The directors who held office during the period were as follows:

J J McCarthy	
N R Hateley	
T McDonnell	
C Bales	(resigned 1 June 2015)
D Coxon	(resigned 18 July 2014)
A Monk	
M Powell	
M Gray	
R Lancaster	(resigned 17 June 2015)
M Burton	(appointed 1 April 2015)
A Garbutt	(appointed 1 June 2015)

Other than those disclosed above, there have been no changes in directors after the period end.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

Strategic report

Information on principal activity and business review, principal risks and uncertainties, results and dividends, policy and practice on payment of creditors and employees is included within the Strategic report.

By order of the board

NR Hateley
Director

Wellmans Road
Willenhall
West Midlands
WV13 2QT

29 July 2015

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Poundland Limited

We have audited the financial statements of Poundland Limited for the 52 week period ended 29 March 2015 set out on pages 10 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 March 2015 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Poundland Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

G Neale

Graham Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

29 JULY 2015

Profit and loss account
for the 52 week period ended 29 March 2015

	Notes	Underlying 2015 £000	Non-underlying 2015 £000	Total 2015 £000	Underlying 2014 £000	Non-underlying 2014 £000	Total 2014 £000
		52 weeks			52 weeks		
Turnover	2	**1,111,526**	-	**1,111,526**	997,803	-	997,803
Cost of sales		**(698,801)**	-	**(698,801)**	(629,330)	-	(629,330)
Gross profit		**412,725**	-	**412,725**	368,473	-	368,473
Distribution costs	3	**(329,025)**	**(1,541)**	**(330,566)**	(293,330)	-	(293,330)
Administrative expenses	3	**(36,340)**	**(245)**	**(36,585)**	(31,455)	(2,750)	(34,205)
Other operating income		**334**	-	**334**	-	-	-
Operating profit	3	**47,694**	**(1,786)**	**45,908**	43,688	(2,750)	40,938
Interest receivable	4	**74**	-	**74**	232	-	232
Interest payable	5	**(60)**	-	**(60)**	(153)	-	(153)
Profit on ordinary activities before taxation		**47,708**	**(1,786)**	**45,922**	43,767	(2,750)	41,017
Taxation on profit on ordinary activities	8	**(10,552)**	**375**	**(10,177)**	(11,120)	452	(10,668)
Profit for the financial period	17,18	**37,156**	**(1,411)**	**35,745**	32,647	(2,298)	30,349

The notes on pages 12 to 24 form part of these financial statements.

There were no recognised gains and losses in the period other than those reported in the profit and loss account.

All activities were continuing throughout the current and preceding period.

Non-underlying items include non-recurring exceptional costs and income (see note 3).

Balance sheet
at 29 March 2015

	Note	2015		2014	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*		**59,092**		53,906
Investments	*10*		**-**		-
			59,092		53,906
Current assets					
Stocks	*11*	**113,211**		90,061	
Debtors	*12*	**63,843**		73,524	
Cash at bank and in hand		**14,952**		20,292	
		192,006		183,877	
Creditors: Amounts falling due within one year	*13*	**(149,171)**		(130,085)	
Net current assets			**42,835**		53,792
Total assets less current liabilities			**101,927**		107,698
Creditors: Amounts falling due after more than one year	*14*		**(8,050)**		(11,146)
Provisions for liabilities and charges	*15*		**(11)**		(317)
Net assets			**93,866**		96,235
Capital and reserves					
Called up share capital	*16*		**50**		50
Capital contribution reserve	*17*		**9,517**		-
Profit and loss account	*17*		**84,299**		96,185
Shareholders' funds	*18*		**93,866**		96,235

The notes on pages 12 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 29 July 2015 and were signed on its behalf by:

NR Hateley
Director

Registered number: 2495645

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historic cost convention. The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' and Strategic report on pages 2 to 6. The directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover, which excludes value added tax, comprises sales to external customers. All sales are made within the United Kingdom, Republic of Ireland and Isle of Man. There is only one class of business.

Fixed assets and depreciation

The cost of fixed assets is purchase cost together with any incidental costs of acquisition. Depreciation on fixed assets is calculated on a straight-line basis so as to write off the cost less the estimated residual value of each asset over the term of its estimated useful life. The principal annual rates used for this purpose are:

Short leasehold property (less than 50 years)	Over the term of the lease
Property improvements	3-25 years (dependent upon lease term)
Fixtures and equipment	3-25 years (dependent upon lease term)
Motor vehicles	25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account deferred tax balances.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except where otherwise required by FRS 19 "Deferred Tax".

Foreign currencies

Transactions in foreign currencies are recorded in sterling using the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date, or, if appropriate, at the forward contract rate, and the gains and losses on translation are included in the profit and loss account.

Operating leases

Amounts payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease period. Where incentives are received as part of operating lease arrangements, the amounts are credited to the balance sheet and released over the lease term or the period until the first rent review whichever is the shorter. The same treatment applies to incentives payable.

Notes *(continued)*

1 Accounting policies *(continued)*

Pensions

The Company operates a defined contribution pension scheme for certain of its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Share based payment transactions

Where the Company benefits from employees being granted options over shares in its ultimate parent company, it recognises a cost in wages and salaries expense equivalent to the equity settled share-based payment charge recognised in the consolidated Group financial statements, with the corresponding credit being recognised directly in equity.

Investments

Shares in subsidiary undertakings are stated at cost less any provision for impairment where in the opinion of the directors there has been a diminution in the value of the investment.

Store development costs

New store opening costs are charged to the profit and loss account as incurred. No interest is capitalised on new store developments.

Cash flow

Under FRS 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published financial statements.

Financial instruments

The Company uses forward contracts to purchase US dollars and to sell Euros in order to reduce its exposure to changes in exchange rates. This enables the Company to fix the rate at which foreign currency transactions are made. Although forward contracts are used to hedge foreign currency risk, the Company does not apply hedge accounting. The Company also uses commodity hedges to manage fuel price fluctuations.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Analysis of turnover

	52 weeks 2015 £000	52 weeks 2014 £000
By geographical area		
United Kingdom	**1,040,574**	938,227
Republic of Ireland	**67,814**	56,645
Isle of Man	**3,138**	2,931
	1,111,526	997,803

Notes *(continued)*

3 Operating profit and non-underlying items

	52 weeks 2015 £000	52 weeks 2014 £000
Operating profit is stated after charging		
Payments under operating leases:		
Other	**5,832**	5,293
Land and buildings	**81,292**	71,694
Depreciation and other amounts written off tangible fixed assets:		
Owned	**13,294**	11,771

Included within non-underlying administrative expenses are £152,000 of costs relating to strategic initiatives (supporting the Spanish trial) *(2014: £1,277,000, which included international expansion and e-commerce)*. A further £93,000 of costs were incurred in relation to the Group's listing in the prior period *(2014: £1,473,000)*.

The non-underlying item of £1,541,000 *(2014: £Nil)* within distribution costs relates to one off expenditure incurred as a result of relocating the distribution facility in the South East of England, and disposing of its existing facility.

The tax implications of the above items are also presented as a non-underlying item.

	52 weeks 2015 £000	52 weeks 2014 £000
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual financial statements	**53**	53

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Poundland Group Plc.

4 Interest receivable and similar income

	52 weeks 2015 £000	52 weeks 2014 £000
Bank interest receivable	**74**	232

5 Interest payable and similar charges

	52 weeks 2015 £000	52 weeks 2014 £000
Amounts owed to group companies	**59**	152
Bank interest payable	**1**	1
	60	153

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was as follows:

	Number of employees	
	52 weeks 2015	52 weeks 2014
Administration	**362**	355
Selling and distribution	**13,737**	12,451
	14,099	12,806

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**153,469**	135,319
Social security costs	**8,058**	7,081
Other pension costs	**1,434**	1,266
Share based payments expense	**1,246**	44
	164,207	143,710

7 Remuneration of directors

Remuneration

The remuneration of the directors was as follows:

	52 weeks 2015 £000	52 weeks 2014 £000
Emoluments	**2,181**	2,120
Company contribution to defined contribution pension scheme	**209**	225
Long term incentive schemes	**356**	14
	2,746	2,359

Seven directors *(2014: eight)* were members of defined contribution pension schemes.

Highest paid director

The amounts for remuneration include the following in respect of the highest paid director:

	52 weeks 2015 £000	52 weeks 2014 £000
Emoluments	**528**	482
Company contribution to defined contribution pension scheme	**-**	-
Long term incentive schemes	**137**	5
	665	487

Notes *(continued)*

8 Tax on profit on ordinary activities

Analysis of charge for the period

	52 weeks 2015		52 weeks 2014	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the period	**11,019**		10,819	
Adjustments in respect of prior periods	**(536)**		185	
Total current tax		**10,483**		11,004
Deferred tax				
Origination and reversal of timing differences	**(181)**		(201)	
Adjustment in respect of prior years	**(125)**		(90)	
Effect of change in tax rate	**-**		(45)	
Total deferred tax		**(306)**		(336)
Tax on profit on ordinary activities		**10,177**		10,668

Factors affecting the tax charge for the period

The current tax charge for the 52 week period is higher *(52 weeks ended 30 March 2014: higher)* than the standard rate of corporation tax in the UK of 21% *(52 weeks ended 30 March 2014: 23%)*. The differences are explained below:

	52 weeks 2015	52 weeks 2014
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**45,922**	41,017
Current tax at 21% *(52 weeks ended 30 March 2014: 23%)*	**9,644**	9,434
Effects of:		
Expenses not deductible for tax purposes	**1,494**	1,434
Capital allowances for period in excess of depreciation and other timing differences	**155**	204
Adjustments to tax charge in respect of previous year	**(536)**	185
Overseas rate adjustment	**(274)**	(253)
Total current tax charge (see above)	**10,483**	11,004

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 29 March 2015 has been calculated based on the rates of 20% substantively enacted at the balance sheet date.

Non-underlying items

The tax effect of the non-underlying items referred to in note 3 is disclosed as non-underlying. Within this non-underlying taxation charge is a credit of £162,000 relating to prior years *(2014: £Nil)*.

Notes *(continued)*

9 Tangible fixed assets

	Short leasehold property £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
Cost				
At beginning of period	26,971	104,283	1,002	132,256
Additions	4,203	14,277	-	18,480
Disposals	(1,080)	(1,452)	-	(2,532)
Transfer between categories	18,460	(18,460)	-	-
At end of period	48,554	98,648	1,002	148,204
Depreciation				
At beginning of period	17,096	60,252	1,002	78,350
Charge for the period	2,417	10,877	-	13,294
On disposal	(1,080)	(1,452)	-	(2,532)
Transfer between categories	10,839	(10,839)	-	-
At end of period	29,272	58,838	1,002	89,112
Net book value				
At 29 March 2015	**19,282**	**39,810**	-	**59,092**
At 1 April 2014	9,875	44,031	-	53,906

The Directors have reconsidered the treatment of capital contributions and consider that it is more appropriate to allocate them against the actual expenditure incurred rather than including the full amount within short leasehold property.

10 Investments

	2015 £000	2014 £000
Shares in subsidiary undertakings, at cost	**168**	168
Less: Impairment provision	**(168)**	(168)
	-	-

Notes *(continued)*

10 Investments *(continued)*

The Company's subsidiary undertakings at the period end are:

	Principal activity	Country of incorporation	Proportion of ordinary shares held %
M & O Business Systems Limited	Dormant	England	100
Bargain Limited	Dormant	England	100
Homes & More Limited	Dormant	England	100
Poundland Far East Limited	Product sourcing	Hong Kong	100
Poundland Stores Limited	Dormant	England	100
Poundland International Limited	Investment company	England	100
Sheptonview Limited	Dormant	England	100
Dealz Espana SL	Value retailer	Spain	100
Dealz Retailing Ireland Limited	Value retailer	Republic of Ireland	100

11 Stocks

	2015 £000	2014 £000
Goods purchased for resale	**105,371**	83,279
Goods in transit	**7,840**	6,782
	113,211	90,061

Goods in transit relates to imported stock on water not yet received into distribution centres and not yet available for sale.

12 Debtors

	2015 £000	2014 £000
Trade debtors	**4,662**	2,872
Amounts owed by Group undertakings	**38,548**	49,484
Prepayments and accrued income	**19,812**	20,803
Corporation tax receivable	**821**	365
	63,843	73,524

Notes *(continued)*

13 Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**81,862**	62,482
Corporation tax	**3,085**	3,803
Other taxation and social security	**14,096**	12,498
Amounts owed to Group undertakings	**640**	6,834
Group relief payable	**587**	1,460
Other creditors	**5,331**	4,784
Accruals and deferred income	**43,570**	38,224
	149,171	130,085

14 Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
Accruals and deferred income	**8,050**	8,303
Amounts owed to Group undertakings	**-**	2,843
	8,050	11,146

The amounts owed to Group undertakings were interest bearing at base rate plus 5%, and were due for repayment in one instalment on 17 June 2018.

The Company was released from its obligations on 15 August 2014 and a corresponding amount was recorded directly in equity as a capital contribution reserve.

15 Provisions for liabilities and charges

Deferred taxation

Full provision without discounting has been made under the liability method for taxation deferred by accelerated capital allowances and other timing differences. The amounts involved are as follows:

	£000
Deferred tax liability at beginning of period	317
Arising in the period	(306)
Deferred tax liability at end of period	**11**

	2015 £000	2014 £000
Accelerated capital allowances	**(25)**	139
Other timing differences	**37**	193
Tax losses	**(1)**	(15)
Deferred tax liability	**11**	317

Notes *(continued)*

16 Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid:		
50,000 ordinary shares of £1 each	**50**	50

17 Reserves

	Capital redemption reserve £000	Profit and loss account £000	Total £000
Balance at beginning of period	-	96,185	96,185
Profit for the financial period	-	35,745	35,745
Dividends paid	-	(48,877)	(48,877)
Release from intergroup obligations	9,517	-	9,517
Equity settled share based payments	-	1,246	1,246
Balance at end of period	**9,517**	**84,299**	**93,816**

The capital contribution reserve represents an equivalent amount to the amounts owed to group undertakings, from which the Company was released on 15 August 2014.

18 Reconciliation of movements in shareholders' funds

	2015 £000	2014 £000
Profit for the financial period	**35,745**	30,349
Dividends paid	**(48,877)**	(53,200)
Release from intergroup obligations	**9,517**	-
Equity settled share based payments	**1,246**	44
Net reduction in shareholders' funds	**(2,369)**	(22,807)
Opening shareholders' funds	**96,235**	119,042
Closing shareholders' funds	**93,866**	96,235

19 Share based payments

The Company benefits from share award plans which grant its employees options over shares in the ultimate parent company, Poundland Group Plc. These schemes are equity settled by Poundland Group Plc.

The Performance Share Plan (PSP)

The PSP was adopted by the directors on 27 February 2014. All employees of the Company are eligible to participate in the PSP at the discretion of the Remuneration Committee. The first issue of awards was made on 17 March 2014. All awards were granted for nil consideration. Further awards were made on 4 July 2014.

A summary of the rules for this scheme and the related performance conditions are set out in the Directors' Remuneration report of Poundland Group Plc.

Notes *(continued)*

19 Shared based payments *(continued)*

The Restricted Stock Plan (RSP)

The RSP was adopted by the Directors on 27 February 2014. Awards over ordinary shares in Poundland Group Plc are granted subject only to continued employment. There are no performance conditions attached to the award.

All employees of the Company (other than Executive Directors and members of the Executive Committee) are eligible to participate in the RSP at the discretion of the Remuneration Committee.

Initial RSP awards were made on 17 March 2014 with further awards made on 4 July 2014. Other than these awards, the intention is that RSP awards will only be made in special or unusual circumstances. All awards were granted for nil consideration.

The RSP awards will usually vest three years after the date of grant. Vested share awards will be released to participants automatically within 30 days of the vesting date.

The Company Share Option Plan (CSOP)

The CSOP was adopted by the Directors on 27 February 2014. Under the CSOP, the Directors may grant to eligible employees options to acquire Ordinary Shares in Poundland Group Plc at an exercise price which may not be less than the market value of an Ordinary Share in Poundland Group Plc on the date of grant.

All employees of the Company are eligible to participate in the CSOP at the discretion of the Directors.

The CSOP options may be subject to performance conditions, however, the initial award made on 18 March 2014 together with awards made on 4 July 2014, did not have any related performance conditions. All rewards were granted for nil consideration.

A CSOP option will normally only be exercisable from the third anniversary of the date of grant and when all conditions applying to it have been satisfied. No dividends are paid on shares awarded.

For the 52 weeks ended 29 March 2015

	PSP		RSP		CSOP	
	Weighted average exercise price (£)	**Number of options (000)**	**Weighted average exercise price (£)**	**Number of options (000)**	**Weighted average exercise price (£)**	**Number of options (000)**
Outstanding at 30 March 2014	-	1,248	-	293	3.75	946
Granted during the period	-	6	-	3	3.42	56
Outstanding at 29 March 2015	-	1,254	-	296	3.73	1,002

The fair value of services received in return for share options granted are measured by reference to the fair value of the share options granted. The PSP and RSP awards are valued at 100% of the share price at the date of grant.

The fair value of CSOP awards is measured using the Black-Scholes valuation model. Measurement inputs and assumptions are as follows:

	2015	2014
Share price at grant date	**£3.38**	£3.75
Fair value at grant date	**81.97p**	92.48p
Exercise price	**£3.42**	£3.75
Expected volatility	**31.7%**	32.5%
Option life (years)	**10**	10
Expected life (years)	**4**	4
Expected dividend yield	**1.08%**	1.09%
Risk-free interest rate (based on national government bonds)	**1.6%**	1.3%

Notes *(continued)*

19 Share based payments *(continued)*

As the parent company has recently listed, there is a restricted history of share price movements. The expected volatility is therefore a proxy volatility figure, which has been derived as the average volatility of FTSE 250 companies within the General Retailers sector over the four years prior to grant date (i.e. the period equivalent to the expected term).

The risk free rate is equivalent to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term.

CSOP awards are granted under a service condition. This is not taken into account in the grant date fair value measurement of the services received. The share based payments expense has been calculated using recent employee turnover levels.

Save As You Earn (SAYE)

Poundland Group plc operates a savings related share options scheme which was open to all UK and Republic of Ireland employees with more than three months' continuous service as at 13 August 2014. This is an approved HMRC Scheme and was established during the period. Under the SAYE scheme, participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Group at a stated exercise price. Under restricted circumstances, employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving.

At 29 March 2015, employees held 1,207 three-year savings contracts with options over 1.3 million shares. A reconciliation of options movements is shown below:

	2015 Number of options	2015 Weighted average exercise price Pence
Outstanding at beginning of period	-	-
Granted	1,377	250
Forfeited	(80)	250
Outstanding at end of period	1,297	250
Exercisable at end of period	-	-

The weighted average remaining contractual life of share options outstanding at 29 March 2015 was 2.6 years. Details of options at 29 March 2015 are set out below:

Date of grant	Date of expiry	Exercise price £	Options outstanding
5 September 2014	1 November 2017	2.50	1,297

Options granted during the year were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are as follows:

	2015
Share price at grant date	**£3.24**
Exercise price	**£2.50**
Expected volatility	**30.1%**
Option life (years)	**3.4**
Expected dividend yield	**1.13%**
Risk-free interest rate (based on national government bonds)	**1.31%**
Fair value per option	**102.7p**

Notes *(continued)*

19 Share based payments *(continued)*

Save As You Earn (SAYE) (continued)

As the parent company has recently listed, there is a restricted history of share price movements. The expected volatility is therefore a proxy volatility figure, which has been derived as the average volatility of FTSE 250 companies within the General Retailers sector over the three years prior to grant date (i.e. the period equivalent to the expected term).

The resulting fair value is expensed over the service period of three years on the assumption that, dependent upon the grade of the colleague, between 5 and 15 per cent of options will be cancelled over the service period as colleagues leave the SAYE scheme.

The total expense for share based payments recognised in the period is as follows:

	52 weeks 2015 £000	52 weeks 2014 £000
Equity settled share based payment expense	**1,246**	44

20 Operating lease commitments

The Company has annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Operating leases which expire:				
Within one year	**2,526**	2,840	**1,232**	161
In the second to fifth years inclusive	**22,690**	13,986	**3,438**	4,124
In over five years	**61,669**	61,228	**-**	-
	86,885	78,054	**4,670**	4,285

21 Capital commitments

Capital commitments for which no provision has been made in the financial statements of the Company were as follows:

	2015 £000	2014 £000
Contracted	**3,271**	1,986

22 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,434,000 *(52 weeks ended 30 March 2014: £1,266,000)*. Contributions amounting to £182,000 *(30 March 2014: £361,000)* were payable to the scheme at the period end and are included in creditors.

23 Transactions with related parties

Under FRS 8 'Related Party Disclosures', the Company is exempt from the requirement to disclose transactions with subsidiaries that are part of the Group on the grounds that all companies within the Group are wholly owned by a parent undertaking and the consolidated financial statements of the parent company are publicly available.

Notes *(continued)*

24 Financial instruments

The fair value of forward contracts and commodity hedges outstanding as at 29 March 2015 is an asset of £11.3 million *(30 March 2014: liability of £6.1 million)*. The fair value has not been recognised as forward contracts mature over varying periods from the balance sheet date and the exchange rate is expected to fluctuate in the period up to maturity.

25 Contingent liabilities

The Company is party to cross guarantees given for bank loans and overdrafts of Poundland Holdings Limited and certain fellow Group companies amounting to £6,903,000 *(30 March 2014: £31,500,000)*.

26 Ultimate parent company

The Company is a direct subsidiary undertaking of Poundland Holdings Limited and an indirect subsidiary of Poundland Group Plc which are both registered in England and Wales.