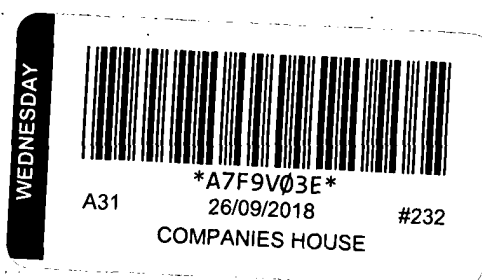


**Poundland Limited**

**Annual report and financial  
statements**

**Registered number 2495645**

**For the 79 weeks ended 1 October 2017**



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## Strategic report

### Principal activity and business review

Poundland Limited ("Poundland") operates in the value retail sector in the United Kingdom, and in the Republic of Ireland and the Isle of Man under the 'Dealz' brand.

The period under review has been one of substantial change for the Company. On 16 September 2016, Poundland Group plc (the Company's previous ultimate parent, now Poundland Group Limited) was acquired by the group headed by Steinhoff International Holdings N.V.. Poundland's operational and strategic direction is now driven from Pepkor Europe Limited, a subsidiary of the Steinhoff Group. The Company's reporting date was changed from March 2017 to September 2017 to align with the Steinhoff Group and it therefore presents results for an 18 month period.

In the six months prior to the Steinhoff acquisition, the Company completed the transfer of trade from 99p Stores Limited to Poundland Limited, focussed on integrating the 236 converted units into the Poundland estate and progressed the legal process of assigning leases. The remaining stores and head office were closed.

In July 2016, Poundland opened a new distribution centre in Wigan, primarily serving the North of the United Kingdom and the Republic of Ireland. The Company's distribution network is now centred on four purpose built distribution centres in the North, the South and the Midlands.

Following the acquisition by Steinhoff, the focus was on driving synergies from the value retail companies in the Pepkor Europe Group. This has resulted in improved results for the 12 months following the acquisition. The discount clothing offer of Pepkor UK Retail Limited, which trades as Pep&Co, was introduced into Poundland stores in early 2017. Larger stores took a 'Shop in Shop' model (consisting of a dedicated branded sales area within the store, encompassing the full Pep&Co range), while all stores benefitted from an 'edited bay' range (a selection of Pep&Co essentials ranges sold from bays within the existing store layout). By the reporting date, there had been 111 Shop in Shop openings. By the end of FY2018, there are expected to be nearly 300 Shop in Shops operating within the Poundland estate.

In March 2017, the trade of GHM Stores Limited was transferred to Poundland Limited and its head office and distribution operations were closed down.

Further steps were taken to simplify the business operating model. A number of stores in the estate were closed, for example, where there were co-located stores and a positive EBITDA contribution was not achieved. The transactional website was closed. Poundland's buying office in Hong Kong was closed and its activity transferred to a Group sourcing facility in the Far East (Pepkor Global Sourcing).

These operational changes were followed by a legal group restructure. In April 2017, Poundland Limited acquired the entire share capital of Pepkor UK Retail Limited and GHM Stores Limited. In September 2017, Poundland Limited took on the intercompany debt of these companies.

In June 2017, the Company's subsidiary, Poundland International Limited, acquired the French discount retailer, Vaulcluse Diffusion SA, (another Steinhoff company) and rebranded its stores to the Dealz fascia. In September 2017, Vaulcluse Diffusion increased its share capital, and Poundland Limited provided an intercompany loan to Poundland International Limited to fund this further investment.

Following the Steinhoff acquisition, the Company's finances were restructured. Previously, the Poundland Group had operated an external revolving credit and working capital facility (through the Company's parent, Poundland Holdings Limited). As the revolving credit drawdowns matured in late 2016, they were replaced by an intercompany loan and later in the period, the Company entered the Group's cash pooling arrangements.

### Strategic aims

The Company's strategy is to create amazing value for its customers every day, through product innovation. In the current period this has been supported by the introduction of clothing and other products offering value at selected non £1 price points.

The Company continues to focus on optimising the existing store portfolio, targeting average transaction value and number of in store transactions. Where appropriate, stores are re-sited to larger units or improved locations to maintain their longer term sustainability.

## Strategic report (continued)

### Strategic aims (continued)

The Company continues to operate the Dealz brand in Spain via its Spanish subsidiary, and following the acquisition by the Steinhoff Group it has rationalised and rebranded its French subsidiary's retail estate to the 'Dealz' fascia. Further opportunity has been identified in Eastern Europe, and in February 2018, the first Dealz stores were opened in Poland (trading through a subsidiary company).

### Key performance indicators

The KPIs used by the Company are relevant to the sector in which it operates. These are revenue, adjusted gross margin, adjusted EBITDA and adjusted operating profit. Performance against these KPIs is summarised in the table below.

	79 weeks to 1 October 2017	52 weeks to 27 March 2016
Revenue (£m)	2,246	1,215
Adjusted EBITDA (£m)	34.0	56.7
LFL (%)*	2.7	-3.9
Adjusted gross margin (£m)	824.7	452.7
Adjusted operating profit (£m)	2.3	40.7
Number of stores	826	835
Total space (sq ft, m)	4.68	4.63

\* LFL revenue represents sales from stores that have been trading for a minimum of 14 months. Included in the table above is the measure for the 53 weeks to 1 October 2017 (the period after the Company was acquired by the Steinhoff group) and the comparative represents the 52 weeks to 27 March 2016

### Results for the period

The results for the period are set out in the income statement on page 12. To aid understanding of the results, one off items that are not expected to recur, have been presented as non underlying.

Period on period comparison of the adjusted results is distorted by the differing lengths of the periods (79 weeks vs 52 weeks); the disproportionate impact of Christmas trading on the longer reporting period; the impact of the 99p store conversion program in the prior period, the store rationalisation program and 'Shop in Shop' rollout in the current period. Period on period comparison to the total results is further distorted by the high level of one off items in the current period.

Revenue in the 79 week period is £2.2 billion (52 weeks to March 2016: £1.2 billion). This includes post Steinhoff acquisition LFL sales of 2.7%. A full period impact of the prior period store openings and conversions also drove sales growth in the period. Clothing was introduced in the period contributing to increased sales, and is expected to drive sales growth further in the next financial period.

Over the 79 week period, store numbers have reduced on a net basis by 9, representing 91 openings (including conversions from group undertakings) and 100 closures. A significant proportion of these closures result from the store rationalisation program undertaken following the change of ownership. This was undertaken to remove co-located and under-performing sites from the retail portfolio and included a number of sites trading as Poundland but operating under licence from 99p Stores Limited. Smaller sites were also closed, where there was an opportunity to resite to a larger location that would accommodate new ranges including clothing. Total space increased over the period, representing the move to larger units to showcase the increased product range.

Adjusted gross margin of 36.7% was achieved in the period; slightly lower than the prior period, reflecting the dilution of the impact of Christmas trading over the longer trading period (52 weeks to March 2016: 37.3%). Total gross margin of 35.3% was further impacted by the stock rationalisation program.

## Strategic report (continued)

### Results for the period (continued)

Adjusted costs represented 36.6% of net sales (52 weeks to March 2016: 33.9%). As a result, adjusted operating profit has declined by £38.4 million and adjusted EBITDA by £22.7 million.

Total costs represented 41.0% of net sales (52 weeks to March 2016: 34.5%). This is the result of significantly higher non underlying costs in the current period resulting from the completion of the 99p rebranding program and the restructuring activity after Steinhoff's acquisition. The 99p rebranding program continued to the early part of the period, resulting in non underlying cost relating to the integration and conversion of the 99p Stores into the Poundland estate (£7.1 million). Following the Steinhoff acquisition there was significant focus on restructuring the business; including a stock rationalisation program (£31.0 million), restructuring of the retail estate (£17.4 million), reorganisation of the distribution network (£3.4 million) and restructuring of head office operations (£4.4 million). Furthermore, various accounting adjustments were made to align to Steinhoff group accounting policies (£65.2 million), the most notable of which were the inclusion of provisions in respect of onerous contracts, together with an impairment of the related assets, and the inclusion of a dilapidations provision. These accounting adjustments have been presented as non underlying due their one off nature. Further details can be found in note 4. As a result of these non underlying costs, total operating profit has declined by £159.5 million, total profit before taxation by £162.5 million and total EBITDA by £126.9 million.

### Principal risks and uncertainties

#### *Competition*

The retail industry, including the value general merchandise retail market is highly competitive, particularly with respect to price, product selection and quality, store location and design, inventory, customer service and advertising. The Company competes at national and local levels with a diverse group of retailers of varying sizes and covering different product categories. These competitors include other single price value general merchandise retailers, multi-price value general merchandise retailers, supermarkets, apparel retailers and certain other high street retailers in particular categories. Declining high street footfall is intensifying the competitive environment; further raising the importance of price, product selection and customer service.

#### *Business interruption – logistics and IT*

The Company's success depends on its ability to transport goods from its UK distribution centres to its stores through the UK and Ireland in a timely and cost effective manner. Any unexpected delivery delays, for example, the result of severe weather or disruption to the national or international transportation infrastructure, or increase in transportation costs, such as increased fuel costs could materially adversely affect the business. Any significant failure in the IT processes of the retail operations in stores or in the supply chain could impact the ability to trade. The Company has detailed recovery plans in place in the event of a significant failure.

#### *Stock / inventory management – shrink and impact on working capital*

The Company's cash flows from operations may be negatively affected if it is not successful in managing its inventory balances or level of stock.

#### *Sourcing, product safety and quality*

The Company sources its products via third party suppliers. It is essential that the Company continually identify, develop and maintain relationships with its suppliers. The Company is reliant on these suppliers being able to provide products in sufficient quantities, at low cost and in a timely manner. The Company has good, long-term relationships with its suppliers which continue to improve as an overwhelming number of primary manufacturers supply on a direct basis. The safety and quality of product is very important to the Company, as is the adherence of all suppliers to principles of ethical sourcing which are enshrined into codes of conduct. All suppliers are required to adhere to the code of conduct and factories and suppliers are audited and supported to ensure these standards are met. This includes an assessment of all new suppliers that are onboarded as well as regular compliance audits of active supplier factories. In addition legal or regulatory requirements that suppliers should comply with are clearly laid out.

#### *Trading environment*

Inflation, currency fluctuations or other factors may affect Poundland's ability to keep its current pricing strategy. The current pricing strategy is predicated on providing a wide range of merchandise for profitable resale for the majority of products at a single price point of £1 in the UK or €1.50 in ROI. The Company has been able to profitably maintain its pricing strategy by managing its product range (such as by introducing new higher margin branded and own label products or discontinuing low margin products, moving sources of supply to lower cost economies, re-engineering pack sizes and renegotiating with suppliers). The Company pays certain suppliers overseas in US dollars; however, customers pay for products in sterling in the UK or Euros in Ireland. The Company therefore bears the risk of disadvantageous changes in exchange rates and has policies in place to hedge forwards. Hedging is performed through the use of foreign company bank accounts and forward foreign exchange contracts.

## Strategic report (continued)

### *Regulatory and political – national living wage, VAT, sugar tax*

The Company is impacted by legal and regulatory changes, such as the National Living Wage, VAT changes and consumer policy changes. The Company is a member of industry representative bodies, e.g. the British Retail Consortium, to ensure its voice and its customers' and colleagues' voices can be heard. Good governance practices are important to the Company and it actively monitors important developments.

### *Colleague retention*

The success of the Company's strategy depends on the continuing services of the Board and its ongoing ability to attract, motivate and retain other highly qualified employees. Retention of highly qualified employees is especially important due to the limited availability of experienced and talented retail executives. Significant changes in the Board during the period demonstrate the success of the remuneration policy and succession planning.

### *Brexit*

Britain's decision to leave the European Union could lead to a more challenging environment in the short and longer term due to ongoing uncertainties about how the exit will be engineered. Therefore, the extent to which the Company's operations and financial performance will be impacted in the longer term will only become clear as more details emerge. During the period since the referendum, consideration has been given to the possible consequences of Brexit, particularly with regard to its future impact on the Company's workforce and currency management.

### **Future developments**

Focus will remain on optimising the existing retail estate and driving additional sales. Following the success of the 'Shop in Shop' roll-out in FY2017, the program will be extended during FY2018 into nearly 200 additional stores, including the estate in the Republic of Ireland, driving increased revenue and profitability. There will also be increased focus on non £1 products.

### **Approval**

Approved by the Board and signed on its behalf by:



Roy Ellis  
Director  
26 September 2018

Wellmans Road  
Willenhall  
West Midlands  
WV13 2QT

## **Directors' report**

The directors present their annual report and the audited financial statements for the period ended 1 October 2017 (2016: 52 weeks ended 27 March 2016).

The Company is a private company limited by shares and is registered in England and Wales.

### **Future developments**

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

### **Existence of branches outside the UK**

The Company has branches outside the UK in the Republic of Ireland and the Isle of Man, as defined in section 1046(3) of the Companies Act 2006.

### **Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

### **Financial risk management objectives and policies**

The Company has a formal process for reviewing and managing risk in the business. A register of strategic and operational risks is maintained and reviewed by the directors who also monitor the status of agreed actions to mitigate key risks.

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

#### **Cash flow risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge these exposures.

#### **Credit risk**

The Company's principal financial assets are bank balances, cash and intercompany receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### **Liquidity risk**

The Company has available to it intercompany facilities which enable it to meet the cash demands of the current business plan and its commitments as they fall due.

### **Dividends**

The directors do not propose a final dividend. In the prior period dividends of £11.9 million were paid.

## Directors' report (continued)

### Directors

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

M Burton	
A Garbutt	
T Goalen	(appointed 7 November 2016)
B Williams	(appointed 14 November 2016)
R Ellis	(appointed 21 November 2016)
A Cooke	(appointed 28 July 2017)
P Allen	(appointed 2 October 2017)
S Cardinaal	(appointed 3 October 2017)
JJ McCarthy	(resigned 30 June 2016)
NR Hateley	(resigned 2 December 2016)
T McDonnell	(resigned 30 September 2016)
A Monk	(resigned 30 June 2016)
M Gray	(resigned 18 December 2017)
S Twigger	(resigned 30 April 2017)
M Dawson	(resigned 30 November 2017)
K O'Byrne	(appointed 4 April 2016, resigned 30 December 2016)
J Jhuti	(appointed 4 April 2016, resigned 6 October 2017)
D Williams	(appointed 10 September 2018)

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

### Director indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

### Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Events subsequent to the reporting date

After the reporting date, on 5 December 2017, the ultimate parent company, Steinhoff International N.V., announced it was undertaking an independent investigation into accounting irregularities. It further announced the CEO's resignation. These events have precipitated the unwinding of the intercompany funding arrangements established during the period, to ensure that Poundland can operate independently of the wider Steinhoff group. Cash pooling ceased in December 2017, and the outstanding balance, together with the intercompany loans were novated to Pepkor Europe Limited in January 2018.

Pepkor Europe Limited obtained an independent £180 million medium-term bank financing facility, with the aim of stabilising the Pepkor Europe Group and providing ongoing working capital and other financing independent of previously provided Steinhoff Group facilities.

In February 2018 £113m of the Company's intercompany debt was converted to equity. A pro-forma statement of financial position as at 1 October 2017 has been prepared reflecting this transaction. This shows a net asset position of £90.6 million. Further details are presented in note 32 'Events subsequent to the Reporting date'.

### 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 payments will take place at the time of entering into a transaction. The Company does not follow any code or standard on payment practice.

### Environmental matters

The Company recognises that its operations impact the environment and that this is an increasingly important issue for consumers. The Company actively pursues policies that help to reduce its carbon footprint and costs. It focuses on four key areas: using less electricity, maximising recycling opportunities; improving fuel efficiency; and reducing packaging waste. The Company actively pursues policies that help to reduce the environmental impact of its operations and constantly seeks to reduce energy consumption to deliver efficiencies and meet the exacting environmental requirements of its socially aware customers.



## Directors' report (continued)

### Employees

The Company is committed to the ongoing training and development of all colleagues to ensure they have the right skills to perform their jobs and create the right development to ensure equality of opportunity for all.

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

All employees are rewarded with long service awards in five year intervals. Success is recognised and managed through various initiatives in the business. Employees are rewarded for meeting objectives that impact overall business performance and show evidence of living the Company values via the annual bonus scheme. Certain employees are part of long term incentive plans.

Employees are kept informed regarding the Company's affairs and are consulted on a regular basis through meetings wherever feasible and appropriate. Employees are represented at the biannual JCC meetings held between the Company and its union (USDAW). The Company also operates a whistleblowing policy which allows colleagues to raise any concerns in confidence.

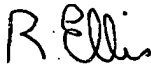
### Auditor

Deloitte have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

### Strategic report

Information on principal activity and business review, principal risks and uncertainties, results and dividends, is included within the Strategic report.

Approved by the Board and signed on its behalf by:



R Ellis  
Director

Wellmans Road  
Willenhall  
West Midlands  
WV13 2QT

26 September 2018

## 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) including *FRS 101 Reduced Disclosure Framework*.

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 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.

# **Independent auditor's report to the members of Poundland Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 October 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Poundland Limited (the 'Company') which comprise:

- the income statement;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **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 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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 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 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 these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken while the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

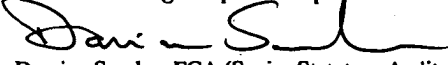
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

  
Damian Sanders FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom

26 September 2018

**Income statement**  
*for the 79 weeks ended 1 October 2017*

	Notes	79 weeks ended 1 October 2017			52 weeks ended 27 March 2016		
		Adjusted	Non- underlying	Total	Adjusted	Non- underlying (note 4)	Total
		£000	£000	£000	£000	£000	£000
Revenue	2	2,245,804	-	2,245,804	1,214,818	-	1,214,818
Cost of sales	4	(1,421,068)	(31,037)	(1,452,105)	(762,101)	-	(762,101)
<b>Gross profit</b>		<b>824,736</b>	<b>(31,037)</b>	<b>793,699</b>	<b>452,717</b>	<b>-</b>	<b>452,717</b>
Distribution costs	4	(740,117)	(88,296)	(828,413)	(373,353)	(4,690)	(378,043)
Administrative expenses	4	(82,629)	(10,038)	(92,667)	(38,954)	(7,286)	(46,240)
Other operating income	4	300	580	880	301	4,255	4,556
<b>Operating profit/(loss)</b>		<b>2,290</b>	<b>(128,791)</b>	<b>(126,501)</b>	<b>40,711</b>	<b>(7,721)</b>	<b>32,990</b>
Finance income	6	948	-	948	371	1,293	1,664
Finance expense	7	(2,163)	(122)	(2,285)	(1)	-	(1)
<b>Profit/(loss) before taxation</b>	3	<b>1,075</b>	<b>(128,913)</b>	<b>(127,838)</b>	<b>41,081</b>	<b>(6,428)</b>	<b>34,653</b>
Taxation	11	1,139	19,003	20,142	(9,724)	1,226	(8,498)
<b>Profit/(loss) for the period</b>		<b>2,214</b>	<b>(109,910)</b>	<b>(107,696)</b>	<b>31,357</b>	<b>(5,202)</b>	<b>26,155</b>

The notes on pages 16 to 43 form part of these financial statements.

All activities were continuing including acquisitions in the current and prior period. The accounting policy for non-underlying items is explained in note 1.21.

**Statement of Other Comprehensive Income**  
*for 79 weeks ended 1 October 2017*

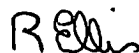
	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
<b>(Loss)/profit for the period</b>	<b>(107,696)</b>	<b>26,155</b>
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Effective portion of changes in fair value of cash flow hedges	(10,928)	(18,627)
Net change in fair value of cash flow hedges reclassified to profit or loss	(4,899)	11,746
Income tax on items that are or may be reclassified subsequently to profit or loss	2,637	1,415
<b>Other comprehensive expense for the period, net of income tax</b>	<b>(13,190)</b>	<b>(5,466)</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>(120,886)</b>	<b>20,689</b>

**Statement of Financial Position**  
*at 1 October 2017*

	Note	1 October 2017 £000	Restated 27 March 2016 £000
<b>Non-current assets</b>			
Property, plant and equipment	12	122,256	109,124
Intangibles	13	93,392	75,175
Investments in subsidiaries	14	171	-
Trade and other receivables		350	425
Derivative financial instruments		493	358
Deferred tax asset	22	18,369	299
		<u>235,031</u>	<u>185,381</u>
<b>Current assets</b>			
Inventories	15	159,279	148,011
Tax receivable		10,678	3,841
Trade and other receivables	17	157,965	44,080
Derivative financial instruments		842	8,320
Cash and cash equivalents		26,835	43,708
		<u>355,599</u>	<u>247,960</u>
<b>Total assets</b>		<u>590,630</u>	<u>433,341</u>
<b>Current liabilities</b>			
Trade and other payables	18	(271,107)	(279,341)
Derivative financial instruments		(10,384)	(3,412)
Amounts due to group undertakings	19	(206,927)	
Provisions	23	(14,257)	(2,608)
		<u>(502,675)</u>	<u>(285,361)</u>
<b>Non-current liabilities</b>			
Trade and other payables	20	(59,073)	(49,983)
Derivative financial instruments		(1,177)	(511)
Provisions	23	(50,303)	(1,791)
		<u>(110,553)</u>	<u>(52,285)</u>
<b>Total liabilities</b>		<u>(613,228)</u>	<u>(337,646)</u>
<b>Net (liabilities) assets</b>		<u>(22,598)</u>	<u>95,695</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	24	50	50
Capital contribution reserve		9,517	9,517
Cash flow hedge reserve		(9,231)	3,959
Retained earnings		(22,934)	82,169
<b>Total equity</b>		<u>(22,598)</u>	<u>95,695</u>

The notes on pages 16 to 43 form part of these financial statements.

These financial statements were approved by the board of directors on 26 September 2018 and were signed on its behalf by:



**R Ellis**  
Director

Registered number: 2495645

**Statement of Changes in Equity**  
*for the 79 weeks ended 1 October 2017*

	Share capital	Capital contribution reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 30 March 2015	50	9,517	9,425	66,959	85,951
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	26,155	26,155
Other comprehensive expense	-	-	(5,466)	-	(5,466)
<b>Total comprehensive income for the period</b>	-	-	(5,466)	26,155	20,689
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled share based payment transactions (note 25)	-	-	-	989	989
Dividends paid (note 8)	-	-	-	(11,934)	(11,934)
<b>Total contributions by and distributions to owners</b>	-	-	-	(10,945)	(10,945)
Balance at 27 March 2016	50	9,517	3,959	82,169	95,695
Balance at 28 March 2016	50	9,517	3,959	82,169	95,695
<b>Total comprehensive expense for the period</b>					
Loss for the period	-	-	-	(107,696)	(107,696)
Other comprehensive expense	-	-	(13,190)	-	(13,190)
<b>Total comprehensive expense for the period</b>	-	-	(13,190)	(107,696)	(120,886)
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled share based payment transactions (note 25)	-	-	-	2,593	2,593
<b>Total contributions by and distributions to owners</b>	-	-	-	2,593	2,593
Balance at 1 October 2017	50	9,517	(9,231)	(22,934)	(22,598)



## Notes to the financial statements (forming part of the financial statements)

### 1 Significant accounting policies

Poundland Limited (the "Company") is a private company limited by shares incorporated and domiciled in the United Kingdom and is registered in England and Wales.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's intermediate parent undertaking, Poundland UK and Europe Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Poundland UK and Europe Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Wellmans Road, Willenhall, WV13 2QT.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Transactions with key management personnel;
- Disclosures in respect of transactions with group companies; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Poundland UK and Europe Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### *1.1 Measurement convention*

The financial statements are prepared on the historical cost basis, except where adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments and acquisitions.

## Notes (continued)

### 1 Significant accounting policies (continued)

#### 1.2 Going concern

The Company is provided with intercompany funding to support its working capital requirements and investment needs.

After its acquisition by the Steinhoff group, the Company operated a facility with Steinhoff Europe AG. Following the ultimate parent company's announcement of accounting irregularities in December 2017, the Company, together with its indirect parent, Pepkor Europe Limited, sought to unwind these intercompany facilities to enable it to operate independently of the wider Steinhoff group. Pepkor Europe Limited obtained independent third party funding consisting of a two year facility of £180 million. The Company now draws on this facility, together with the wider group's positive operating cashflows, to meet its cyclical working capital requirements and capital investment needs. There is cash headroom available to manage potential future liquidity risk.

Furthermore, in January 2018, intercompany loans payable to Steinhoff Europe AG were novated to Pepkor Europe Limited. These consisted of loans repayable on 3 months' notice of £190 million and €18.4 million and cash pool accounts of £17.0 million. In February 2018, the £190 million loan was split into loan A for £110.7 million and loan B for £79.3 million and the loans of £79.3 million, €18.4 million and £17.0 million were novated to Poundland Holdings Limited. Poundland Limited issued one ordinary £1 share at a premium of £113 million in settlement of this transaction. For further details of how these arrangements have changed, see note 32 'Events subsequent to the reporting date'.

Following the financing in January 2018, the Company is expected to generate cash throughout the foreseeable future.

The Company prepares detailed cash forecasts on a regular basis to anticipate and manage future funding requirements from intercompany facilities, extending for a period of at least 12 months from the date of approval of these financial statements. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

Consequently, despite the Company being in a net liabilities position, the directors believe that the Company is well placed to manage its business risks successfully. 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 in preparing the annual financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

#### 1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for share capital exclude amounts in relation to those shares.

## Notes (continued)

### 1 Significant accounting policies (continued)

#### 1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in debt and equity securities*

Investments in subsidiaries are carried at cost less impairment.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### 1.6 Derivative financial instruments and hedging

##### *Derivative financial instruments*

Derivative financial instruments (comprising foreign currency forward contracts and commodity hedges) are used to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products) and fuel price fluctuations. The Company does not hold or issue derivative financial instruments for speculative trading purposes. The Company uses the derivatives to hedge highly probable forecast transactions and, therefore, the instruments are designated as cash flow hedges.

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The effective element of any gain or loss from remeasuring the derivative instrument is recognised directly in the cash flow hedge reserve.

The associated cumulative gain or loss is reclassified from the statement of changes in equity and recognised in the income statement in the same period or periods during which the hedged transaction affects the income statement. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within financial income or financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in other comprehensive income is recognised immediately in the income statement.

The full fair value of a hedging derivative is classified as a non current asset or liability if the remaining maturity of the hedged item is more than twelve months or as a current asset or liability if the remaining maturity of the hedged item is less than twelve months from the reporting date.

#### 1.7 Investments

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

## Notes (continued)

### 1 Significant accounting policies (continued)

#### 1.8 Property, plant and equipment

Property, plant and equipment are stated at purchase cost (together with incidental costs of acquisition) less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Short leasehold property (less than 50 years)	- over the term of the lease
Fixtures and equipment	- 3 to 25 years (dependent upon lease term)

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Capital contributions from landlords in respect of property leases are held as a liability and amortised over the shorter of the lease term of the UEL of the assets to which they relate.

#### 1.9 Intangible assets and goodwill

##### Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

##### Favourable leases

On acquisition as part of a business combination, when contractual lease payments are lower than market rents, an asset is recognised which reflects the fair value of the difference between contractual lease payments and current market rates, less accumulated impairment losses.

##### Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses.

##### Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Favourable leases	over the remaining term of the lease
Trademarks	5 years
Software	3 years

#### 1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis.

#### 1.12 Employee benefits

##### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company 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.

##### Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## Notes (continued)

### 1 Significant accounting policies (continued)

#### 1.13 Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 1.14 Revenue

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional sales discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably.

The business operates as one operating segment.

#### 1.15 Other operating income

Other operating income relates to management charges received from subsidiary undertakings. The income is recognised on an accruals basis.

#### 1.16 Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### 1.17 Finance lease payments

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in trade and other payables and presented as current or non current as required. The interest element of the finance lease is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

#### 1.18 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period; using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes (continued)

### 1 Significant accounting policies (continued)

#### 1.19 Supplier income

##### *Rebate income*

Rebate income consists of income generated from volume related rebate agreements and other supplier funding received on an ad hoc basis for instore promotional activity. The income received is recognised as a deduction from cost of sales.

Volume related income is recognised based on the expected entitlement at the reporting date based on agreed and documented contractual terms. Where the contractual period is not yet complete, the Company will estimate expected purchase volumes taking into account current performance levels to assess the probability of achieving contractual target volumes.

Other supplier funding is recognised as invoiced to the suppliers, subject to satisfaction of any related performance conditions. To minimise the risk arising from estimate, supplier confirmations are obtained at the reporting date prior to amounts being invoiced.

##### *Promotional funding*

Promotional pricing income relates to income received from suppliers to invest in the customer offer. It is considered an adjustment to the core cost price of a product and as such is recognised as a reduction in the purchase price of a product. Timing of invoicing of amounts due is agreed on an individual basis with each supplier.

Uncollected supplier income at the reporting date is presented within the financial statements as follows:

Trade payables – it is common practice for the Company to net income due from suppliers against amounts owing to that supplier. Any outstanding invoiced commercial income relating to these suppliers at the reporting date will be included within trade payables.

Trade receivables – where there is no practice of netting commercial income from amounts owed to the supplier, the Company will present amounts due within trade receivables. Where commercial income is earned but not invoiced to the supplier at the reporting date, the amount due is included within prepayments and accrued income.

#### 1.21 Non underlying items

Non underlying items are those items that, in the directors' judgement, should be disclosed separately in order to determine and fairly present the adjusted profitability of the business, in the absence of acquisition activity, integration activity and one-off or unusual items. Items that the directors consider material, either individually or in aggregate, and non-recurring in nature are presented as non underlying in the income statement within their relevant income statement category. Items are judged to be material in the context of an individual project and its impact on the Company's overall results. Items that may give rise to classification as non underlying include, but are not limited to, significant restructuring and rationalisation programmes, asset impairments, one-off provision releases and acquisition related costs.

#### 1.22 Cash flow reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges where the contract has not yet expired. The reserve is stated net of the associated tax. On expiry of the contract, the effective portion is recycled to the income statement.

#### 1.23 Financial income and expenses

Financial expenses comprise interest payable and the ineffective portion of change in the fair value of cash flow hedges that are recognised in the income statement. Financial income comprises interest receivable on funds invested and the ineffective portion of changes in the fair value of cash flow hedges.

Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

## Notes (continued)

### 1 Significant accounting policies (continued)

#### 1.24 Critical accounting estimates and judgements

The preparation of these financial statements requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted.

The Company makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The directors continually evaluate the estimates, assumptions and judgements based on available information and experience. The directors do not consider there to be any critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Impairment of intangible assets

The Group assesses whether there are any indicators of impairment as at the reporting date for all intangible assets. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key source of estimation uncertainty is the growth rates applied. See Note 13 for details.

### 2 Revenue

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
United Kingdom	2,053,719	1,125,160
Republic of Ireland	187,176	86,446
Isle of Man	4,909	3,212
	<u>2,245,804</u>	<u>1,214,818</u>

## Notes (continued)

### 3 (Loss)/profit for the period

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 (restated) £000
<i>(Loss)/profit for the period has been arrived at after charging</i>		
Payments under operating leases:		
Other	13,632	6,056
Land and buildings	183,150	90,294
Depreciation and other amounts written off tangible fixed assets:		
Owned	42,199	19,842
Impairment of tangible fixed assets	11,333	-
Amortisation of other intangibles	2,714	1,045
Cost of inventories recognised as an expense	1,471,287	814,810
Write downs of inventories recognised as an expense	26,546	289

As explained in note 12, the directors consider that capital contributions received in respect of property leases, which have previously been classified within property, plant and equipment, would be better reflected as accruals and deferred income to align with Group presentation standards. As a result, the comparatives for 'depreciation' and 'payments under operating leases – land and buildings' have been adjusted by £4,599,000 to reflect the related income statement presentational changes required.

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
<i>Auditor's remuneration</i>		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	145	83

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 by the Company's ultimate parent, Steinhoff International, NV.



## Notes (continued)

### 4 Non-underlying items

In the current period, the more significant elements of the non underlying expense were incurred following the change of control as a result of significant focus on restructuring the business. This activity has impacted each caption of the income statement as described in the table below.

#### Cost of sales

Cost of sales has been impacted by the stock rationalisation program (£31 million). This identified slow moving stock and removed it from the business, ensuring that retail space was used in the most efficient manner and stores could benefit from the new clothing and multiprice ranges.

#### Distribution costs

Distribution costs include £17 million relating to the store restructuring program. Following the 99p acquisition, there were a number of co-located stores in the retail estate, contributing a negative EBITDA. The program involved the closure of these sites. The costs incurred include the cost of site disposal, occupancy costs after the cessation of trade and impairment of related assets.

A further £3 million was incurred reorganising the distribution network: a new distribution centre was opened in Wigan, and the Northampton distribution centre ceased operations.

Distribution costs also include £65 million of accounting adjustments required either to align the Company's accounting policies with Steinhoff group accounting policies. The most notable of these are the inclusion of a provision for onerous contracts and the related asset impairment and the inclusion of a dilapidations provision. These accounting adjustments have been presented as non underlying due their size and one off nature.

Distribution costs include an element of expenses incurred relating to the integration and conversion of 99p Stores into the Poundland estate (£2 million; 52 weeks ended 27 March 2016 £5 million). This represents the completion of the rebranding program commenced in the second half of the prior financial period. In total, 236 units were transferred to the Poundland fascia, representing a significant increase to the retail estate. Costs include the closure of the former 99p distribution facilities.

#### Administrative expenses

Administrative expenses were also impacted by the integration and conversion of 99p stores into the Poundland estate (£5 million; 52 weeks ended 27 March 2016 £3 million).

Following the Steinhoff acquisition, head office operations were restructured, incurring a cost of £4 million.

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

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
<b>Cost of sales</b>		
Stock rationalisation program	31,037	-
<b>Distribution costs</b>		
Integration and conversion of 99p Stores into the Poundland estate	2,370	4,690
Store restructuring program	17,360	-
Distribution restructuring program	3,355	-
Dilapidations provision	15,313	-
Onerous contract provisions and related asset impairments	47,079	-
Other acquisition related adjustments	2,819	-
	<u>88,296</u>	<u>4,690</u>

**Notes (continued)**

**4 Non-underlying items (continued)**

	<b>79 weeks ended 1 October 2017</b>	<b>52 weeks ended 27 March 2016</b>
<b>Administrative expenses net of other operating income</b>		
Integration and conversion of 99p Stores into the Poundland estate	<b>4,724</b>	<b>3,031</b>
Staff restructuring program	<b>4,364</b>	
Other acquisition related adjustments	<b>370</b>	
	<b>9,458</b>	<b>3,031</b>
<b>Net finance expenses/(income)</b>		
Relating to intercompany loans with 99p Stores Limited	<b>122</b>	<b>(1,293)</b>
<b>Taxation</b>		
Impact of non underlying items	<b>(19,003)</b>	<b>(1,226)</b>
<b>Total non underlying items</b>	<b>(109,910)</b>	<b>5,202</b>

## Notes (continued)

### 5 Reconciliation of adjusted profit measure (EBITDA)

The directors consider EBITDA to be a more consistent measure of operating performance. Operating profit is adjusted to exclude the impact of amortisation, depreciation and impairment. In the current period, capital contributions have been presented as deferred income rather than property, plant and equipment (see note 12). The amortisation of these cash capital contributions has been excluded from EBITDA.

Adjusted EBITDA excludes the impact of those distribution costs and administrative expenses which do not contribute to current trading activities. The directors consider that this measure more fairly reflects actual operating performance:

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
Operating (loss)/profit	(126,501)	32,990
Exclude:		
Amortisation	2,714	1,045
Depreciation	42,199	19,842
Impairment	11,333	-
Amortisation of capital contributions in respect of property leases	(7,355)	(4,599)
<b>EBITDA</b>	<b>(77,610)</b>	<b>49,278</b>
Exclude:		
Non-underlying items	128,791	7,721
Add back		
Non underlying depreciation	(5,876)	(298)
Non underlying impairment	(11,333)	-
<b>Adjusted EBITDA</b>	<b>33,972</b>	<b>56,701</b>

## Notes (continued)

### 6 Finance income

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
On amounts owed by group undertakings	69	1,293
Bank interest receivable	34	45
Ineffective portion of changes in fair value of cash flow hedges	845	326
	<u>948</u>	<u>1,664</u>

Amounts owed by group undertakings in the prior period are presented as non underlying in the income statement.

### 7 Finance expense

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
On amounts owed to group undertakings	2,233	-
Bank interest payable	52	1
	<u>2,285</u>	<u>1</u>

### 8 Dividends

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
Amounts recognised as distributions to owners in the financial period	-	11,934

In the prior period, the Company paid a dividend of £238.67 per share facilitating the payment of an interim and final dividend by the then ultimate parent company, Poundland Group Limited (formerly Poundland Group plc).

## Notes (continued)

### 9 Staff numbers and costs

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

	Number of employees	
	79 weeks ended 1 October 2017	52 weeks ended 27 March 2016
Administration	477	410
Selling and distribution	18,211	14,641
	<u>18,688</u>	<u>15,051</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	347,537	171,358
Social security costs	19,200	9,296
Other pension costs (note 28)	2,866	1,610
Share based payments expense (note 25)	2,593	989
	<u>372,196</u>	<u>183,253</u>

### 10 Remuneration of directors

#### Remuneration

The remuneration of the directors was as follows:

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
Emoluments	5,539	2,594
Company contribution to defined contribution pension scheme	246	299
Compensation for loss of office	682	-
Long term incentive schemes	1,723	573
	<u>8,190</u>	<u>3,466</u>

Eleven directors (52 weeks ended 27 March 2016: eight) were members of the defined contribution pension schemes.

#### Highest paid director

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

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
Emoluments	678	540
Company contribution to defined contribution pension scheme	17	-
Long term incentive schemes	380	87
	<u>1,075</u>	<u>627</u>

## Notes (continued)

### 11 Taxation

#### Analysis of (credit)/charge for the period

	79 weeks ended 1 October 2017		52 weeks ended 27 March 2016	
	£000	£000	£000	£000
<b>Current tax</b>				
Current tax on (loss)/profit for the period	(7,081)		5,719	
Adjustments in respect of prior periods	2,372		(150)	
<b>Total current tax (credit)/charge</b>		(4,709)		5,569
<b>Deferred tax</b>				
Origination and reversal of timing differences	(15,556)		2,599	
Effect of change in tax rate	484		186	
Adjustment in respect of prior periods	(361)		144	
<b>Total deferred tax (credit)/charge</b>		(15,433)		2,929
<b>Total (credit)/charge for the period</b>		(20,142)		8,498

#### Factors affecting the tax (credit)/ charge for the period

The tax charge is reconciled with the standard rates of UK corporation tax as follows:

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
(Loss)/Profit before tax	(127,838)	34,653
Current tax at 19.67% (52 weeks ended 27 March 2016: 20%)	(25,146)	6,931
<b>Effects of:</b>		
Expenses not deductible for tax purposes	4,987	1,355
Depreciation in excess of capital allowances for period and other timing differences	(511)	32
Adjustments to tax charge in respect of previous period	2,011	(6)
Overseas rate adjustment	(1,529)	186
Effect of share based payments	(438)	-
Change in tax rate	484	-
<b>Total tax (credit)/charge for the period</b>	(20,142)	8,498

#### Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 1 October 2017 has been calculated based on these rates.

## Notes (continued)

### 12 Property, plant and equipment

	Short leasehold property £000	Fixtures and equipment £000	Total £000
<b>Cost</b>			
At beginning of period (restated)	116,508	121,602	238,111
Additions	20,704	40,678	61,382
Acquired from group undertakings	-	5,281	5,281
Disposals	(5,117)	(5,626)	(10,743)
	<u>132,095</u>	<u>161,936</u>	<u>294,031</u>
At end of period	132,095	161,936	294,031
<b>Depreciation</b>			
At beginning of period (restated)	53,072	75,914	128,986
Charge for the period	17,069	25,130	42,199
Impairment loss	2,789	8,544	11,333
On disposal	(5,117)	(5,626)	(10,743)
	<u>67,813</u>	<u>103,962</u>	<u>171,775</u>
At end of period	67,813	103,962	171,775
<b>Net book value</b>			
At 1 October 2017	<u>64,282</u>	<u>57,974</u>	<u>122,256</u>
At 27 March 2016 (restated)	<u>63,436</u>	<u>45,688</u>	<u>109,124</u>

The Company's obligations under finance leases (see note 21), all of which relate to fixtures and equipment and have a carrying amount of £13.0 million (2016: *Nil*), are secured by the lessor's title to the assets

**Presentational restatement.** During the current period, the classification of operating lease incentives provided by lessors has been reconsidered. They were previously presented as a reduction to the short leasehold property balance and the depreciation charge for the period which was not considered to be in accordance with IAS 17. The comparatives have therefore been restated to appropriately present these incentives as a reduction of operating lease expenses and deferred income liabilities. This presentational change does not result in any change to the reported profit or net assets.

The prior year comparatives for 'depreciation' and 'payments under operating leases – land and buildings' within distribution costs have been adjusted by £4,599,000 to reflect the related income statement presentational changes required (note 3). The brought forward balance of property, plant and equipment has been increased by £50,810,000 (cost) and £20,253,000 (accumulated depreciation); and the prior year comparative for "accruals and deferred income" liabilities has increased by £4,439,000 to include the short-term portion (note 18) of the deferred income and by £26,118,000 to include the long-term portion of the deferred income (note 20).

## Notes (continued)

### 13 Intangible assets

	Goodwill	Favourable leases	Trademarks	Software	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At beginning of period	71,537	910	123	6,727	79,297
Additions	19,747	202	-	982	20,931
At end of period	91,284	1,112	123	7,709	100,228
<b>Amortisation</b>					
At beginning of period	-	96	67	3,959	4,122
Amortisation for the period	-	185	38	2,491	2,714
At end of period	-	281	105	6,450	6,836
<b>Net book value</b>					
At 1 October 2017	91,284	831	18	1,259	93,392
At 27 March 2016	71,537	814	56	2,768	75,175

Following Poundland Group plc's acquisition of the entire share capital of 99p Stores Limited on 28 September 2015, the Group commenced a rebranding programme in October 2015. This consisted of a transfer of the trade and assets from 99p Stores Limited to the Company. The total programme entailed rebranding 236 stores to the Poundland fascia; of which 188 were transferred in the prior period. The remaining locations were rebranded in the current period. The trade and assets were transferred at fair value, and consideration was paid, again at fair value. Goodwill arising on the total transaction was £91.3 million. Its recognition has been allocated to both the prior and current period, in line with the progression of the store conversion program. In the prior period goodwill of £71.5 million was recognised, with £19.7 million being recognised in the current period.

#### Impairment

An impairment test is a comparison of the carrying value of the assets of a business or CGU to their recoverable amount. The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. The recoverable amount has been determined based on value in use. Where the recoverable amount is less than the carrying value, an impairment results. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which the directors monitor that goodwill. In this instance the goodwill arising in the Company has been assessed as part of the Poundland Stores CGU. During the period, all goodwill was tested for impairment, with no impairment charge resulting (2016: No impairment).

In assessing the value in use, the three year business plan was used to provide cash flow projections to the period ended September 2021. The cash flow projections are subject to key assumptions in respect of discount rates and achievement of future revenue and EBITDA growth. The directors have reviewed and approved the assumptions inherent in the model as part of the annual budget process using historic experience and considering economic and business risks facing the Company.

In assessing the Company's value in use a pre-tax discount rate of 7.5% (2016: 10.5%) has been applied. In assessing future revenue growth 2.2% was assumed for the first 3 years, followed by 2.0% to year 10, with 0% growth thereafter.

In addition to the projected sales growth modelled above, EBITDA % conversion of net sales to profit is projected to grow through business efficiency improvements from 2.8% in FY2019 to 8% of net sales by FY2026 and be maintained at that level thereafter. Forecasts envisage higher growth in the earlier years (resulting from sales growth and efficiency improvements) before EBITDA reaches maturity at year 10.

Sensitivity analysis has been performed on the value-in-use calculations to:

1. Reduce the average sales growth over the first 10 years from 2% p.a. to 0% per annum

This zero sales growth sensitivity model resulted in no impairment, with headroom reduced from £139 million in the base case to £7 million in the zero sales growth sensitivity model.

2. Reduce the mature EBITDA profit conversion (% of net sales converting to EBITDA) from 8% in the base case to 6.5% in the sensitivity case.

This resulted in no impairment, with headroom reduced from £139m in the base case to £3m in the reduced efficiency sensitivity model.



## Notes (continued)

### 13 Intangible assets (continued)

Amortisation is recognised in distribution and administrative expenses in the income statement as follows:

	79 weeks ended 1 October 2017 £000	52 weeks ended 27 March 2016 £000
Distribution costs	1,418	470
Administrative expenses	1,296	575
	<u>2,714</u>	<u>1,045</u>

### 14 Investments in subsidiaries

	1 October 2017 £000	27 March 2016 £000
Shares in subsidiary undertakings, at cost	168	168
Additions	171	-
Less: Impairment provision	(168)	(168)
	<u>171</u>	<u>-</u>

During the period, the Company acquired a 100% shareholding in Pepkor UK Retail Limited and GHM Stores Limited. It also acquired a 50% shareholding in Dealz Poland S.p. z.o.o.

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 Retailing Ireland Limited*	Dormant	Republic of Ireland	100
Dealz Espana SL**	Value retailer	Spain	100
Dealz Poland S.p z.o.o.*	Value retailer	Poland	50
Vaocluse Diffusion SA**	Value retailer	France	100
Pepkor UK Retail Limited*	Value retailer	England	100
GHM Stores Limited*	Value retailer	England	100

\* directly held

\*\* indirectly held

## Notes (continued)

### 14 Investments in subsidiaries (continued)

All subsidiaries incorporated in the United Kingdom are registered at Wellmans Road, Willenhall, West Midlands, WV13 2QT, with the exception of Pepkor UK Retail Limited whose registered address is Oak House, Watford.

Poundland Far East Limited's registered address is: Suite 701, 168 Queen's Road Central, Hong Kong.

Dealz Espana SL's registered address is: B86867515, Calle Bravo, Murillo 192, Madrid, Spain.

Dealz Retailing Ireland Limited's registered address is: Unit 3, Westend Retail Park, Blanchardstown, Dublin 15, Republic of Ireland.

Dealz Poland Sp. Z o.o.'s registered address is: Strzeszynska 73a Street, Poznan, Poland.

Vaucluse Diffusion SA registered address is: 1 bis avenue Guy de Maupassant, 13170 Les Pennes Mirabeau, France.

### 15 Inventories

	1 October 2017 £000	27 March 2016 £000
Goods purchased for resale	134,535	135,571
Goods in transit	24,744	12,440
	<u>159,279</u>	<u>148,011</u>

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

## Notes (continued)

### 16 Acquisition of trade and assets from group undertaking

In the prior period, following the acquisition of the entire share capital of 99p Stores Limited by Poundland Group plc on 28 September 2015, the Group commenced a rebranding programme on 7 October 2015. This consisted of a transfer of the trade and assets from 99p Stores Limited to Poundland Limited. The process was incremental comprising of the rebranding of stores and the legal assignment of their leases. The process was completed during the current period.

Total consideration of £13.1 million was transferred in relation to the whole rebranding programme, of which £2.7 million (52 weeks to March 16: £10.4 million) relates to units completed during the current financial period.

#### Acquisition related costs

The Company incurred costs of £1.6 million (52 weeks to March 16: £4.7 million) in relation to the rebranding programme.

#### Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	27 March 2016 £000	1 October 2017 £000	Total £000
Property, plant and equipment	7,738	2,434	10,172
Intangible assets	1,099	202	1,301
Inventories	12,425	3,239	15,664
Trade and other receivables	9,088	2,369	11,457
Cash and cash equivalents	2,165	564	2,729
Interest bearing loans and other borrowings	(19,525)	(5,089)	(24,614)
Provisions	(4,127)	(4,373)	(8,500)
Trade and other payables	(69,963)	(16,381)	(86,344)
Deferred tax liability	(30)	-	(30)
<b>Total identifiable net liabilities assumed</b>	<b>(61,130)</b>	<b>(17,035)</b>	<b>(78,165)</b>

#### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation techniques
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Off-market leasing arrangements	The fair value of off market leasing arrangements has been assessed by external third parties. They have compared contractual lease payments to current market rates, identified variances and quantified the resultant asset or liability taking into consideration the remaining portion of the lease.
Inventories	The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of distribution and sale.

## Notes (continued)

### 16 Acquisition of trade and assets from group undertaking (continued)

#### Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	27 March 2016	1 October 2017	Total
	£000	£000	£000
Consideration transferred	10,407	2,712	13,119
Fair value of identifiable net liabilities assumed	(61,130)	(17,035)	(78,165)
	<u>71,537</u>	<u>19,747</u>	<u>91,284</u>
Goodwill	71,537	19,747	91,284

The goodwill is attributable mainly to the locational and purchasing synergies expected to be achieved from transferring the stores to Poundland Limited. None of the goodwill recognised is expected to be deductible for tax purposes.

During the current period, the trade and assets of GHM Stores Limited (another group undertaking) were transferred to the Company at book value. No goodwill arose on this transaction.

## Notes (continued)

### 17 Trade and other receivables

	1 October 2017 £000	27 March 2016 £000
Trade receivables	5,729	11,315
Amounts owed by Group undertakings	120,214	15,666
Prepayments and accrued income	32,022	17,099
	<u>157,965</u>	<u>44,080</u>

Amounts owed by group undertakings which are interest bearing total £64.1 million (2016: £nil). The remaining balance is non-interest bearing and is repayable on demand.

### 18 Trade and other payables

	1 October 2017 £000	Restated 27 March 2016 £000
Trade payables	131,645	132,630
Other taxation and social security	11,776	15,214
Amounts owed to Group undertakings	43,268	69,061
Group relief payable	-	4,091
Other payables	2,184	8,338
Obligations under finance leases	2,482	-
Accruals and deferred income	79,752	50,007
	<u>271,107</u>	<u>279,341</u>

Of the amounts owed to group undertakings, £24.6 million relates to the cash pool arrangements with Steinhoff and is interest bearing at the Bank of England LIBOR rate plus 1.43%, and repayable upon demand (2016: £nil). The remaining amounts owed to group undertakings are non-interest bearing and are repayable on demand.

As explained in note 12, the directors consider that capital contributions received in respect of property leases, which have previously been classified within property, plant and equipment, would be better reflected as accruals and deferred income to align with Group presentation standards. As a result, the comparative for accruals and deferred income has increased by £4,439,000 to include the current portion of the deferred income.

### 19 Current liabilities – Amounts owed to group undertakings

Included within current liabilities are amounts owed to group undertakings of £206.9 million which are interest bearing at the Bank of England base rate plus 2.35% and repayable on three months' notice (2016: £nil).

## Notes (continued)

### 20 Non-current liabilities

	1 October 2017 £000	Restated 27 March 2016 £000
Accruals and deferred income	48,582	49,983
Obligations under finance leases	10,491	-
	<u>59,073</u>	<u>49,983</u>

As explained in note 12, the directors consider that capital contributions received in respect of property leases, which have previously been classified within property, plant and equipment, would be better reflected as accruals and deferred income to align with Group presentation standards. As a result, the comparative for accruals and deferred income has increased by £26,118,000 to include the non current portion of the deferred income.

### 21 Obligations under finance leases

Analysis of assets held under finance leases:

	1 October 2017 £000 Fixtures & Equipment
Cost	12,973
Accumulated depreciation	-
	<u>12,973</u>
Net book value	<u>12,973</u>

The finance lease agreement was entered into on the final day of the financial period, 1 October 2017. No assets were held under finance leases in the prior period.

Finance lease liabilities are payable as follows:

	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	2,764	282	2,482
Between one and five years	11,056	565	10,491
Over five years	-	-	-
	<u>13,820</u>	<u>847</u>	<u>12,973</u>

## Notes (continued)

### 22 Deferred tax

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 asset at beginning of period	299
Recognised in the income statement	15,433
Recognised in other comprehensive income	2,637
<b>Deferred tax asset at end of period</b>	<b>18,369</b>

	1 October 2017 £000	27 March 2016 £000
Property, plant and equipment	9,837	(1,717)
Intangible assets	-	(147)
Other financial assets	(224)	(1,563)
Trade and other payables	354	3,020
Other financial liabilities	8,402	706
<b>Deferred tax asset</b>	<b>18,369</b>	<b>299</b>

The deferred tax asset is available for offset against future taxable profits, which are expected to be sufficient to recover the asset's value.

### 23 Provisions

	1 October 2017 £000	27 March 2016 £000
At beginning of period	4,399	661
Provisions made during the period	76,960	1,540
Arising from acquisition	4,373	4,127
Provisions utilised during the period	(20,545)	(128)
Provisions reversed during the period	(627)	(1,801)
	<b>64,560</b>	<b>4,399</b>
Non-current	50,303	1,791
Current	14,257	2,608
	<b>64,560</b>	<b>4,399</b>

All provisions are associated with expected future costs for specific leasehold properties and include costs associated with vacant properties, outstanding rent reviews, off market rental arrangements acquired in business combinations and dilapidations. As such, the timing of utilisation will depend on the individual lease terms.

## Notes (continued)

### 24 Share capital

	1 October 2017 £000	27 March 2016 £000
<b>Authorised, allotted, called up and fully paid:</b>		
50,000 ordinary shares of £1 each	50	50

The capital contribution reserve arose in August 2014 when the Company was released from amounts owed to various group companies, all of which were part of the group headed by Poundland Group Limited (formerly Poundland Group plc).

### 25 Share based payments

The Company benefits from share award plans. These originally granted its employees options over shares in the previous ultimate parent company, Poundland Group Plc. These schemes were equity settled by Poundland Group Plc. Following the acquisition by the group headed by Steinhoff International, N.V. in September 2016, these schemes were amended as detailed below. Additionally, new schemes were launched in the period.

#### *The Performance Share Plan (PSP)*

The PSP was adopted by the directors on 27 February 2014. All employees of the Company were 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 and 19 June 2015.

Under the scheme rules the awards would vest on change of control in September 2016, however the performance conditions were not met. As part of its offer for the Poundland Group, Steinhoff agreed to exchange the options held by colleagues under PSP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

#### *The Restricted Stock Plan (RSP)*

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

All employees of the Company (other than Executive directors and members of the Executive Committee) were 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 was that RSP awards would only be made in special or unusual circumstances. All awards were granted for nil consideration.

The RSP awards were due to vest three years after the date of grant, but under the rules of this scheme, the RSP awards vested on change of control in September 2016.

#### *The Company Share Option Plan (CSOP)*

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

All employees of the Company were 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 and 19 June 2015, did not have any related performance conditions. All awards were granted for nil consideration.

A CSOP option would normally only be exercisable from the third anniversary of the date of grant and when all conditions applying to it had been satisfied. No dividends are paid on shares awarded. Under the scheme rules the awards were due to vest on change of control in September 2016. The option price was above the market value at the date of acquisition. Subsequently, the scheme was amended by Steinhoff, who agreed to exchange the options held by colleagues under CSOP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).



## Notes (continued)

### 25 Share based payments (continued)

#### Steinhoff awards

The Steinhoff share awards were adopted by the directors on 15 December 2016. Members of the board of directors were eligible to participate in the scheme. The first issue of awards was made on 15 December 2016. All awards were granted for nil consideration. Further awards were made on 1 March 2017.

For the 79 weeks ended 1 October 2017

	Steinhoff Awards		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)	Weighted average exercise price (£)	Number of options (000)
Outstanding at 27 March 2016	-	-	-	2,101	-	227	3.33	1,953
Granted during the period	€3.96	634	-	-	-	-	-	-
Cancelled during the period	-	-	-	(1,112)	-	-	3.01	(1,590)
Vested during the period	-	-	-	-	-	(227)	-	-
Outstanding at 1 October 2017	€3.96	634	-	989	-	-	3.73	363
Equivalent replacement Steinhoff shares	-	-	-	525	-	-	€5.015	193

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 Steinhoff Awards, 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:

	27 March 2016
Share price at grant date	£3.12
Fair value at grant date	70.50p
Exercise price	£3.01
Expected volatility	29.3%
Option life (years)	10
Expected life (years)	4
Expected dividend yield	1.44%
Risk-free interest rate (based on national government bonds)	1.1%

There was a restricted history of share price movements in the prior period as the parent company had recently listed. The expected volatility was 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.

## Notes (continued)

### 25 Share based payments (continued)

#### Save As You Earn (SAYE)

Poundland Group plc operated a savings related share options scheme which was open to all UK and Republic of Ireland employees with more than three months' continuous service. This is an approved HMRC Scheme. Under the SAYE scheme, participants remaining in the Group's employment at the end of the three-year savings period were entitled to use their savings to purchase shares in the Group at a stated exercise price. Under restricted circumstances, employees leaving for certain reasons were able to use their savings to purchase shares within six months of their leaving. Under the scheme rules, the awards were due to vest on change of control in September 2016. The option price was above the market value at the date of acquisition. The scheme was amended following acquisition, with options transferring to equivalent numbers of Steinhoff shares calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

At 1 October 2017, employees held 83 three-year savings contracts with options over 55,000 Steinhoff shares. A reconciliation of options movements is shown below:

	2017 Number of options 000's	2017 Weighted average exercise price
Outstanding at beginning of period	1,585	£2.57
Granted		
Forfeited/Cancelled	(1,585)	£2.57
	<u>-</u>	<u>-</u>
Outstanding at end of period (original Poundland shares)	-	-
Outstanding at end of period (replacement Steinhoff shares)	55	€6.11
	<u>-</u>	<u>-</u>
Exercisable at end of period	-	-
	<u>-</u>	<u>-</u>

The weighted average remaining contractual life of share options outstanding at 1 October 2017 was 0.9 years. Details of options at 1 October 2017 are set out below:

Date of grant	Date of expiry	Exercise price	Options outstanding 000s
5 September 2014	1 November 2017	£2.50	-
19 August 2015	1 November 2018	€6.11	55

The fair value of the awards is expensed over the service period of three years on the assumption that, dependent upon the grade of the colleagues 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:

	1 October 2017 £000	27 March 2016 £000
Equity settled share based payment expense	2,593	989
	<u>-</u>	<u>-</u>

## Notes (continued)

### 26 Operating lease commitments

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

	Land and buildings		Other	
	1 October 2017 £000	27 March 2016 £000	1 October 2017 £000	27 March 2016 £000
Operating leases which expire:				
Less than one year	116,767	104,829	4,810	5,256
Between one and five years	354,171	358,015	4,789	7,421
More than five years	180,533	244,943	-	-
	<u>651,471</u>	<u>707,787</u>	<u>9,599</u>	<u>12,677</u>

Operating lease payments represent rental payable by the Company for its property portfolio. The Company also leases vehicles and equipment. Leases are negotiated on an individual basis.

### 27 Capital commitments

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

	1 October 2017 £000	27 March 2016 £000
Acquisition of property, plant and equipment	<u>802</u>	<u>8,349</u>

### 28 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £2,866,000 (52 weeks ended 27 March 2016: £1,610,000). Contributions amounting to £283,000 (27 March 2016: £258,000) were payable to the scheme at the period end and are included in accruals.

### 29 Transactions with related parties

The Company has taken advantage of the exemption conferred by paragraph 8(j) of FRS 101 not to disclose transactions with other Group companies.

### 30 Contingent liabilities

At the prior reporting date, the Company was party to cross guarantees given for bank loans and overdrafts of Poundland Holdings Limited and certain fellow Group companies amounting to £59,788,000. These facilities were replaced by intercompany funding in the current period.

### 31 Ultimate parent company

The Company is a direct subsidiary undertaking of Poundland Holdings Limited and an indirect subsidiary of Poundland UK and Europe Limited which are both registered in England and Wales. Poundland Holdings Limited's registered address is Wellmans Road, Willenhall, WV13 2QT.

#### Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Steinhoff International Holdings N.V., incorporated in The Netherlands. The address of Steinhoff International Holdings N.V. is: Herengracht 466, 1017 CA Amsterdam, The Netherlands.

The parent of the smallest group in which these financial statements are consolidated is Poundland UK and Europe Limited, incorporated in England and Wales. The address of Poundland UK and Europe Limited is: Wellmans Road, Willenhall, WV13 2QT.

## Notes (continued)

### 32 Events subsequent to the reporting date

From January 2018, Poundland Limited's working capital requirements are funded by Pepkor Europe Limited, which obtained independent, third party funding consisting of a two year facility, enabling it to fund its Group's normal working capital cycle and to meet its capital investment requirements, independently of the wider Steinhoff Group.

On 18 January 2018, intercompany loans payable to Steinhoff Europe AG were novated to Pepkor Europe Limited. These consisted of loans repayable on 3 months' notice of £190 million and €18.4 million and cash pool accounts of £17.0 million.

On 12 February 2018, the £190 million loan was split into loan A for £110.7 million and loan B for £79.3 million. On 12 February 2018, the loans of £79.3 million, €18.4 million and £17.0 million were novated to Poundland Holdings Limited. Poundland Limited issued one ordinary £1 share at a premium of £113 million in settlement of this transaction.

To aid understanding of their impact, set out below is a pro-forma 1 October 2017 statement of financial position, which overlays the impact of the above events.

	As reported 1 October 2017 £000	Adjustments £000	Pro-forma 1 October 2017 £000
<b>Non-current assets</b>	235,031	-	235,031
<b>Current assets</b>	355,599	-	355,593
<b>Total assets</b>	590,630	-	590,630
<b>Current liabilities</b>			
Trade and other payables	(271,107)	17,000	(254,107)
Amounts due to group undertakings	(206,927)	96,227	(110,700)
Other financial liabilities	(10,384)	-	(10,384)
Provisions	(14,257)	-	(14,257)
	(502,675)	113,227	(389,448)
<b>Non-current liabilities</b>			
Trade and other payables	(59,073)	-	(59,073)
Other financial liabilities	(1,177)	-	(1,177)
Provisions	(50,303)	-	(50,303)
	(110,553)	-	(110,553)
<b>Total liabilities</b>	(613,228)	113,227	(500,001)
<b>Net assets</b>	(22,598)	113,227	90,632
<b>Equity attributable to equity holders of the parent</b>			
Share capital	50	-	50
Share premium	-	113,227	113,227
Capital contribution reserve	9,517	-	9,517
Cash flow hedge reserve	(9,231)	-	(9,231)
Retained earnings	(22,934)	-	16,141
<b>Total equity</b>	(22,958)	113,227	90,632