Poundland Group Limited

Annual report and financial statements
Registered number 08861243
For the 52 weeks ended
30 September 2018

Contents

Strategic report

The directors present their strategic report for the 52 weeks ended 30 September 2018.

Principal activity and business review

The principal activity of the Company is that of an investment holding company.

Given the limited nature of the Company's activities, no key performance indicators are monitored.

The Company's ultimate parent undertaking is Steinhoff International Holdings N.V.

Principal risks and uncertainties

As an investment holding Company, the principal risks are those faced by its main indirect investment, Poundland Limited, details of which are disclosed in the annual report of Poundland Limited.

Future developments

The Company will continue to operate as an investment holding Company.

By order of the board

D Williams
Director

Wellmans Road
Willenhall
West Midlands
WV13 2QT

25 September 2019

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 30 September 2018 *(2017: 79 weeks ended 29 September 2017).*

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

Directors

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

R Ellis	(resigned 11 October 2018)
S Cardinaal	(appointed 22 November 2017)
A Bond	(resigned 22 November 2017)
D Williams	(appointed 11 October 2018).

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

Disclosure of information to auditor

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

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.

The directors have obtained a letter of support from its parent undertaking, Pepkor Europe Limited, and have considered the ability of Pepkor Europe Group to be able to give this letter of support for a period of 12 months from the date of these accounts.

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

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.

Results and dividends

The results for the period are set out in the income statement on page 8. The Company made a loss of £11.8m for the 52 week period (*79 weeks ended 29 September 2017: loss of £16.9m*). The Company also recognised an impairment in its investment of £11.8m as explained in note 7.

In the prior period, significant costs were incurred in relation to the sale to Steinhoff, and a loss on disposal of an investment was recognised.

During the 52 week period ended 30 September 2018 the Company paid no dividends (*79 weeks ended 29 September 2017: £5.4m*). No final dividend is proposed in respect of the current financial period.

Policy and practice on payment of creditors

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

Events subsequent to the reporting date

Further details are presented in Note 14 'Events subsequent to the reporting date'.

Directors' report (continued)

Strategic report

Information on principal activity and business review and principal risks and uncertainties is included within the Strategic report on page 1.

By order of the board

D Williams
Director

Wellmans Road
Willenhall
West Midlands
WV13 2QT

25 September 2019

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Poundland Group 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 30 September 2018 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 Group Limited (the 'Company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 14.

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 Group 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. This description forms part of our auditor's report.

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 in the course of 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:

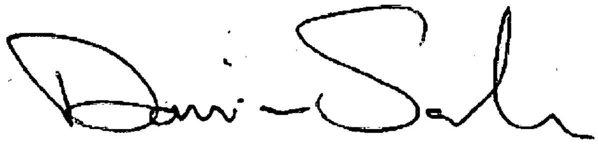
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

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

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.



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

25 September 2019

Income statement
for the 52 week period ended 30 September 2018

	Note	52 week period ended 30 September 2018 £000	79 week period ended 29 September 2017 £000
Administrative expenses		-	(9,262)
Other operating income		-	351
Loss on disposal of investment in subsidiary undertaking		-	(8,016)
Impairment loss	7	**(11,810)**	-
Operating loss		**(11,810)**	(16,927)
Loss before taxation		**(11,810)**	(16,927)
Taxation	6	-	(3)
Loss for the period and total comprehensive expense		**(11,810)**	(16,930)

There is no other comprehensive income or expense other than the loss shown for the periods above and therefore no separate statement of other comprehensive income has been presented.

All activities were continuing throughout the current and preceding period.

The notes on pages 11 to 20 form part of these financial statements.

Statement of financial position

at 30 September 2018

	Note	**30 September 2018 £000**	29 September 2017 £000
Non current assets			
Investments	*7*	**529,757**	428,608
Current assets			
Debtors	*8*	**17,678**	17,678
Total assets		**547,435**	446,286
Non current liabilities			
Trade and other payables	*9*	**(435)**	(435)
Net assets		**547,000**	445,851
Equity attributable to equity holders of parent			
Share capital	*10*	**2,689**	2,689
Share premium		**161,838**	48,879
Merger reserve		**2,496**	2,496
Retained earnings		**379,977**	391,787
Total equity		**547,000**	445,851

The notes on pages 11 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 25 September 2019 and were signed on its behalf by:

D Williams
Director

Company registered number 8861243

Statement of changes in equity
for the period ended 30 September 2018

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 28 March 2016	2,687	48,879	2,496	412,764	466,826
Total comprehensive expense for the period					
Loss for the period	-	-	-	(16,930)	(16,930)
Total comprehensive expense for the period	-	-	-	(16,930)	(16,930)
Transactions with owners, recorded directly in equity					
Issue of shares	2	-	-	-	2
Dividends paid (note 5)	-	-	-	(5,374)	(5,374)
Share based payments	-	-	-	1,327	1,327
Total contributions by and distributions to owners	2	-	-	(4,047)	(4,045)
Balance at 29 September 2017	2,689	48,879	2,496	391,787	445,851
Balance at 30 September 2017	2,689	48,879	2,496	391,787	445,851
Total comprehensive expense for the period					
Loss for the period	-	-	-	(11,810)	(11,810)
Total comprehensive expense for the period	-	-	-	(11,810)	(11,810)
Transactions with owners, recorded directly in equity					
Share premium on share issues	-	112,959	-	-	112,959
Total contributions by and distributions to owners	-	112,959	-	-	112,959
Balance at 30 September 2018	**2,689**	**161,838**	**2,496**	**379,977**	**547,000**

The notes on pages 11 to 20 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

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

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.

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 immediate parent undertaking, Pepkor Europe Limited (previously Poundland UK and Europe Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of Pepkor Europe Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Unit B, 120 Weston Street, London, SE1 4GS.

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;
- 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 Pepkor Europe Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

The Company is provided with intercompany funding to support its working capital requirements and investment needs. As a consequence, 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. The directors have obtained a letter of support from its parent undertaking, Pepkor Europe Limited, and have considered the ability of Pepkor Europe Group to be able to give this letter of support for a period of 12 months from the date of these accounts. It has available to it intercompany funding to support its requirements. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Share based payment transactions

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity settle share based payment charge recognised in the subsidiaries' income statement with the corresponding credit being recognised directly in equity.

1.4 Other operating income

Other operating income relates to management recharges received from subsidiary undertakings.

1.5 Non-derivative financial instruments

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

Investments in debt and equity securities

Shares in subsidiary undertakings are stated at cost less any provision for impairment where in the opinion of the directors there has been a diminution in the value of the investment. When the Company disposes of an investment in subsidiary undertakings, it records the cost of the investment as an expense in the income statement, net of any proceeds received.

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.

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.

1.6 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.

1.7 Dividends on shares presented within Shareholders' funds

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

1.8 Dividends received

Dividend income is recognised when the dividend had been appropriately authorised.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.9 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 are discussed below.

Impairment of intangible assets

The Company assesses whether there are any indicators of impairment as at the reporting date for all investments.

When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the investment 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. An investment impairment of £11.8m was made in the year to 30 September 2018. See note 7 for details.

2 Fees payable to the auditor

Auditor's remuneration is borne by Poundland Limited, another Group undertaking. Amounts payable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Steinhoff International Holdings N.V.

3 Staff numbers and costs

Excluding directors, no persons were employed by the Company during the period (*79 weeks ended 29 September 2017: None*).

4 Remuneration of directors

The remuneration of the directors was as follows:

	52 weeks ended 30 September 2018 £000	79 weeks ended 29 September 2017 £000
Emoluments	-	238
Compensation for loss of office	-	57
	-	295

Notes to the financial statements *(continued)*

4 Remuneration of directors (continued)

The directors of the Company were also directors of other companies in the Pepkor Europe Limited Group. In the current period, the directors do not believe it is practical to apportion their remuneration between their services as directors of the Group and their services as directors of other companies within the Pepkor Europe Limited Group.

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

	52 weeks ended 30 September 2018 £000	79 weeks ended 29 September 2017 £000
Emoluments	-	108
Compensation for loss of office	-	51
	-	159

No directors *(79 weeks ended 29 September 2017: nil)* were members of defined contribution pension schemes.

No directors exercised share options in the current or prior period.

5 Dividends

	52 weeks ended 30 September 2018 £000	79 weeks ended 29 September 2017 £000
Amounts recognised as distributions to owners in the financial period:		
Prior period final dividend of 2.0p per share	-	5,374

In the prior period, the Company paid a final dividend of 2.0p per share in respect of the 52 week ending 27 March 2016.

6 Taxation

Analysis of tax charge in the period

	52 weeks ended 30 September 2018 £000	79 weeks ended 29 September 2017 £000
UK corporation tax		
Current tax charge for the period	-	3

Notes to the financial statements *(continued)*

6 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is the same as *(79 weeks ended 29 September 2017: higher than)* the standard rate of corporation tax in the UK of 19% *(79 weeks ended 29 September 2017: 19.7%)*.

	52 weeks ended 30 September 2018 £000	79 weeks ended 29 September 2017 £000
Total tax reconciliation		
Loss on ordinary activities before tax	**(11,810)**	(16,927)
Current tax at 19% *(79 weeks ended 29 September 2017: 19.7%)*	**(2,244)**	(3,330)
Effects of:		
Expenses not deductible for tax purposes	**2,244**	3,333
Total tax charge for the period	**-**	3

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 15 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 September 2018 has been calculated based on these rates.

7 Investments

	Investment in subsidiary undertakings £000
Cost or valuation	
At beginning of period	428,608
Additions	112,959
Impairment	(11,810)
At end of period	**529,757**
Net book value	
At 30 September 2018	**529,757**
At 29 September 2017	428,608

During the period, intercompany loans between the Company's main trading subsidiary Poundland Limited and the Steinhoff group were restructured. These loans were novated to Pepkor Europe Limited on 18 January 2018. On 12 February 2018, £113m of the receivable was used to settle an increase in share capital. This transaction impacted all companies in the direct chain between Poundland Limited and Pepkor Europe Limited.

Notes to the financial statements *(continued)*

7 Investments *(continued)*

During the period, the investment was tested for impairment, and an impairment charge of £11.8m arose (*2017: No impairment*).

The methodology applied in assessing the equity value is to calculate the enterprise value of Poundland Group Limited Group (the "sub-group") that the investment relates to (i.e. its value in use) and then to adjust this value for the sub-group's net debt of £192.0m to arrive at an equity value. The key assumptions on which the value in use calculations are based on relate to future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied. The forecast cash flows include the directors' latest estimates on future revenue, pricing and other operating costs. Management has 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 sub-group.

In assessing the Group's value in use, a pre-tax discount rate of 10.4% (*2017: 7.5%)* has been applied for the first five years and 9.4% (*2017: 7.5%)* for the terminal value.

The impairment charge recognised during the period relates to the Company's investment in Poundland Group Holdings Limited. A deduction from the value in use has been taken for the net debt of £209.3m within the Poundland Group Holdings Limited sub-group.

In assessing future EBITDA growth, the Group has used an average growth rate of 17% in the first five years and a terminal growth rate of 2%. EBITDA % conversion of net sales to profit is projected to grow through business efficiency improvements to 5.6% of net sales in the terminal year from the current rate of 2.6%. The resulting growth in EBITDA is projected at a CAGR rate of 14.2% per annum from year 1 to year 5 (the period assessed in the DCF calculation), with higher growth in the earlier years (resulting from sales growth and efficiency improvements).

Management have considered reasonable possible changes in the key assumptions and have identified the following instances that could cause the carrying amount of the CGUs in Poundland to increase or decrease:

Key Inputs	Changes in key inputs	Impact on recoverable amount £m
Pre-tax discount rate	100 bps increase	(109)
	100 bps decrease	154
Cash EBITDA	£5 million increase per annum	60
	£5 million decrease per annum	(60)

Cash EBITDA is significantly impacted by product mix, shrinkage rates and future rent reductions.
• Product mix:
The roll-out of the Pep&Co clothing range in Poundland stores, product mix improvements in general merchandise together with further buying efficiencies from increased intergroup trading is driving improvements in margin.
• Shrinkage rate:
There was an increase in stock losses during the period subsequent to period-end compared to historical norms. The losses increased to 2.7% of net sales, compared to historical trends of 1.6% of net sales. Management identified the causes behind this increase and is implementing plans to address these losses. The business plan included a reduction in the shrinkage rate to 2.05% of net sales by 2021, which is below the current rate, but significantly above the historical trends.
• Rent reduction rate:
There is an opportunity to re-negotiate lease costs to current market related rentals upon expiry of existing leases. Current leases are significantly above market rates. The majority of the lease portfolio comes up for renewal or termination by 2023.

Notes to the financial statements *(continued)*

7 Investments *(continued)*

As part of the restructure, Poundland Group Limited increased its investments in subsidiaries by £113 million and issued one ordinary 1p share at a premium of £113 million.

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

Name	Country of incorporation	Principal activity	Percentage of ordinary shares held
Poundland Group Holdings Limited *	England	Investment Company	100%
Poundland Value Retailing Limited	England	Investment Company	100%
Poundland Retail Limited	England	Investment Company	100%
Poundland Willenhall Limited	England	Investment Company	100%
Poundland Holdings Limited	England	Investment Company	100%
Poundland Trustee Limited	England	Investment Company	100%
Poundland Limited	England	Value Retailer	100%
Pepkor UK Retail Ltd	England	Value Retailer	100%
GHM Stores Ltd	England	Value Retailer	100%
M&O Business Systems Limited	England	Dormant	100%
Bargain Limited	England	Dormant	100%
Homes & More Limited	England	Dormant	100%
Poundland Stores Limited	England	Dormant	100%
Poundland International Limited	England	Investment Company	100%
Sheptonview Limited	England	Dormant	100%
Poundland Far East Limited	Hong Kong	Product sourcing	100%
Dealz Espana SL	Spain	Value Retailer	100%
Dealz Poland Sp. z o.o.	Poland	Value Retailer	100%
Vaucluse Diffusion SAS	France	Value Retailer	100%
Dealz Retailing Ireland Limited	Republic of Ireland	Value Retailer	100%

* Directly owned by the Company

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, Reeds Crescent, Watford, WD24 4QP.

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.

8 Debtors

	30 September 2018 £000	29 September 2017 £000
Amounts owed by group undertakings	**17,678**	17,678

Amounts owed by group undertakings are non-interest bearing and are repayable on demand.

Notes to the financial statements *(continued)*

9 Trade and other payables

	30 September 2018 £000	29 September 2017 £000
Amounts owed to group undertakings	**435**	435

Amounts owed to group undertakings are non-interest bearing and are repayable on demand.

10 Share capital

	30 September 2018 £000	29 September 2017 £000
Authorised, allotted, called up and fully paid		
268,894,031 ordinary shares of 1p each (*2017: 268,894,030 shares of 1p each)*	**2,689**	2,689

As part of the restructure, Poundland Group Limited increased its investments in subsidiaries by £113 million and issued one ordinary 1p share at a premium of £113 million.

11 Share based payments

The Company benefits from share award plans. These originally granted employees of its subsidiary undertakings options over shares in the Company, which were equity settled. Following the acquisition by the group headed by Steinhoff International, N.V. in September 2016, these schemes were amended as detailed below.

The Performance Share Plan (PSP)

The PSP was adopted by the directors on 27 February 2014. All employees of the Company's subsidiaries 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).

This scheme came to an end in the current financial period with no cash payment made. The cumulative share-based payment charged was therefore reversed.

The Restricted Stock Plan (RSP)

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

All employees of the Company's subsidiary undertakings (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.

Notes to the financial statements *(continued)*

11 Share based payments *(continued)*

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 of the Company's subsidiary undertakings options to acquire Ordinary Shares in the Company at an exercise price which was not less than t

he market value of an Ordinary Share in the Company 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 rewards 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 would 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).

For the 52 weeks ended 30 September 2018

		PSP		RSP	
	Weighted average exercise price (£)	**Number of options (000)**	**Weighted average exercise price (£)**	**Number of options (000)**	**Weighted average exercise price (£)**
Outstanding at *29 September* 2017	-	989	-	-	3.73
Granted during the period	-	-	-	-	-
Cancelled during the period	-	(989)	-	-	3.01
Outstanding at 30 September 2018	-	-	-	-	-
Equivalent replacement Steinhoff shares	-	-	-	-	-

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

Notes to the financial statements *(continued)*

11 Share based payments *(continued)*

Save As You Earn (SAYE)

The Company operated a savings related share options scheme which was open to all UK and Republic of Ireland employees of the Company's subsidiaries 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 Company 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).

12 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.

13 Ultimate parent company

At the statement of financial position date the Company's immediate parent is Poundland UK and Europe Limited, which is registered in England and Wales. Its registered address is Wellmans Road, Willenhall, WV13 2QT. Following a group reorganisation in August 2019 the Company's immediate parent undertaking will remain as Poundland UK and Europe Limited.

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: Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch 7600, South Africa.

The parent of the smallest group in which these financial statements are consolidated is Pepkor Europe Limited, incorporated in England and Wales. The address of Pepkor Europe Limited is: Unit B, 120 Weston Street, London, SE1 4GS.

14 Events subsequent to the reporting date

In August 2019 Pepkor Europe Limited successfully re-financed the January 2018 external debt, which was due to expire in January 2020. The new facility is a two-and-a-half-year term debt for €475m to replace the existing facility, alongside a revolving credit facility to provide additional working capital headroom for the Group. As part of this re-financing the Group will also take the opportunity to further reduce exposure to the Steinhoff Group through repayment of some shorter-term intercompany debt.

The Pepkor Europe Limited Group has commenced an exercise to simplify its legal structure. This has resulted in certain Pepkor Europe Limited investment and intercompany balances being moved around the Pepkor Europe Limited Group or consolidated.