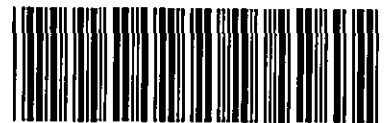


Poundland Holdings Limited

Annual Report and Accounts

Period ended 28 March 2010

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Registered number:

04386329

Poundland Holdings Limited

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Poundland Holdings Limited

Chief Executive review

Business description

Poundland is Europe's largest single price value retailer, offering for sale throughout England, Scotland, Wales and Northern Ireland a wide variety of general merchandise, including food and drink, from over 260 high street and city centre stores. The company trades under the 'Poundland' fascia. All items of merchandise have a single selling price of £1 which is a relatively unique and compelling shopping experience.

Poundland's retail proposition is very robust, with over 3 million customer transactions undertaken in our stores every week. We are a single price driven, product led business that generates amazing value across sixteen categories, 3,000 product lines (including over 800 famous brands) and numerous one off "wow" purchases that are simply irresistible.

There are three main companies within the Poundland group. Poundland Holdings Limited is the holding company of the group. Poundland Willenhall Limited, a wholly-owned subsidiary of Poundland Holdings Limited, is the intermediate holding company which holds the investment in Poundland Limited. Poundland Limited is the main trading company of the group, and accounts for all the retail activities of the group. The group also has a number of other subsidiaries, which do not trade.

Business overview

I am pleased to announce in this year's Chief Executive's overview that we have made further significant progress in delivering our ambitious growth plans. We have managed both at headline and underlying levels to achieve record sales and profits during an economic recession which has seriously affected consumer confidence, and as a consequence, their shopping habits.

Consumers continued to rein back their expenditure during the year and chose to spend their money on essential products rather than discretionary luxury items. Poundland responded to consumer demand by carefully tailoring our ranges and ensuring that the availability of essential items was further improved.

Poundland has over 20 years of experience of successfully managing its gross margin during a variety of economic circumstances and challenges. This year was no different and I am pleased that we were once again able to profitably deliver exceptional value to our customers. During the year we experienced adverse exchange rate movements, higher freight charges and increased input cost prices, especially in our food and drink category where cost inflation was particularly evident. Conversely the Group benefitted during nine months of the year from the reduced 15% rate of value added tax (VAT) which the government had introduced in the previous year. The original 17.5% rate was restored at the start of January 2010. As a consequence, and similarly to other single price retailers, our overall gross margin for the year improved from its underlying level. We were, as a result, able to selectively reinvest elements of the "one off gain" from the temporary VAT rate reduction. We decided to continue to offer for sale certain products that would otherwise have been delisted in the course of normal business. We also chose to invest in selected products with the addition of extra fill packs or larger pack sizes for the same amazing price of just £1.

Positive Like for Like sales of 0.7% were achieved against a background of changes in consumer buying behaviours, reduced high street footfall, increased promotional competition from major supermarkets and a significant increase in the number of competing stores that single price and multi price retailers opened. Poundland now serves over 3 million customers a week including customers who need to shop for value and an increasing number of shoppers with higher disposable incomes who choose to shop for value.

Despite the challenging weather conditions endured from mid December we enjoyed our best ever Christmas, serving over 4 million customers during the peak Christmas week. Our Like for Like sales in the 5 week Christmas period ending January 3rd were a pleasing 4.4%. Our central distribution team including warehouses and transport delivered in just one week a record breaking 1.1 million cases to ensure that our store teams could satisfy our savvy bargain hungry customers.

Poundland Holdings Limited

Chief Executive review (continued)

Business overview (continued)

Poundland has the ability to source and develop products globally. Whilst over 60% of our products are supplied through UK companies, our Far and Near East operations based in Hong Kong and New Delhi are important to us. Our Hong Kong team, for example, dealt with an increase of 27% in volume year on year and delivered 3,000 more new product lines than in the corresponding period. The facility enables us to stay ahead of the competition through the delivery of amazing value, innovation and new product development at lowest cost without compromising quality.

Our UK vendor relationships further improved during the period with a number of primary suppliers agreeing to supply Poundland direct for the first time. Whilst we will preserve and develop our existing supplier relationships, we welcome the new additions and are pleased that primary suppliers of branded products recognize the significance of Poundland to consumers and the outstanding growth opportunity compared to other retail channels.

I mentioned in last year's Chief Executive Review that the UK retail property market was depressed. It has remained so with up to 12% of retail space in High Streets and shopping centres left unoccupied. As a consequence, Landlords now offer even more attractive incentives to retailers with Poundland featuring strongly in their plans. This has resulted in our capital expenditure budget being able to support stronger than planned growth in store openings. Poundland has taken the opportunity to accelerate growth in the store estate, including opening our first stores in Northern Ireland. We have created almost 2,000 new jobs in the process.

At the end of 2008 our store opening programme benefitted from the demise of Woolworths. During 2009/10 former Woolworths sites continued to provide a rich seam of new Poundland stores in good locations which supported the development of our larger store format. Customers appreciate a larger store that enables them to shop more comfortably making their purchasing selection easier. We opened 34 ex Woolworths stores in the year. Competitors also opened significant numbers of new stores in ex Woolworths units, often where Poundland already operated an existing store. This step change in competitor activity impacted core estate Like for Like sales. In my view the net impact on our performance over the year from the "Woolworths effect" was relatively benign.

Careful cost control through the year is as always a pre-requisite of success in fixed single price retailing. This year we managed to grow substantially but contain costs in virtually all areas of the business.

Colleagues throughout the organisation chose Macmillan Cancer Support as our chosen charity. I am delighted to report that colleagues and customers raised an amazing £180,000 in the year which will help make a real difference to the quality of care that is provided for those people who are unfortunate enough to be suffering this serious condition.

Store portfolio

The group increased its store portfolio during the period by adding a net 56 new stores. At the period end the company operated from 263 locations, including 5 stores on short term leases. This compares to last year's 207 stores at the period end.

Results

Turnover, net of VAT, for the 52 week period was £509.8 million (*52 weeks 2009 £396.2 million*). This represents an overall increase of 28.7% on the previous period. This improvement incorporates the sales increase from Like-for-Like stores, the impact of new stores opened during the period and the full period effect of new stores opened during the previous period.

The cost base of the business has increased during the period, principally as a result of an increase in the number of stores in the portfolio, and investment in central costs to effectively manage our growth programme. Consequently, operating costs have increased to £171.2 million (33.6% of turnover) from £138.5 million (*2009 35.0%*).

Poundland Holdings Limited

Chief Executive review (continued)

Results (continued)

Operating profit after goodwill amortisation of £1.8 million, was £21.5 million for the period (52 weeks 2009 £11.8 million), an improvement of 81.5% on the prior period performance. After adding back depreciation of £6.8 million, and goodwill amortisation of £1.8 million, the EBITDA of the business was £30.1 million (2009 £20.0 million). The pre bonus EBITDA was £31.5 million (52 weeks 2009 £20.9 million). After taking account of net interest payable of £1.7 million, and a tax charge of £6.8 million, the group delivered a net profit for the period of £13.0 million (2009 £4.8 million).

Finances

Cash generated from operations was £29.9 million (2009 £19.8 million) reflecting our strong business performance and our continued focus on day to day cash management. The company invested £13.1 million (2009 £8.1 million) on capital expenditure primarily related to the opening of new stores. Free cashflow after capital expenditure, taxation and interest was £10.4 million (2009 £6.2 million).

Net debt at 28 March 2010 was £19.3 million (2009 £29.1 million). Despite investing in 96 new store openings net debt has decreased by £15 million over the last two financial years.

The group has available to it a facility with Bank of Scotland. The main components of the Bank Facility are a Working Capital Facility and a Revolver Facility. The facilities are currently available until 4 August 2010. Prior to the year end, the group was in negotiation with Bank of Scotland to extend the existing facility for a further two years. Negotiations were well advanced and approaching completion when an offer was received from funds managed by Warburg Pincus to acquire the share capital of Poundland Holdings Limited.

The structure of the ongoing facilities was therefore redesigned to meet the requirements of the post acquisition Poundland structure. On 30 April 2010, the new facility was agreed and documented. This takes effect from the date Warburg Pincus acquires Poundland Holdings Limited.

Although the new banking arrangement has been agreed, its timing, post year end, requires the group to present the facility in place at 28 March 2010 as falling due within one year. In practice, this facility will be replaced at completion.

At the time of signing and approving these financial statements, all conditions precedent to the acquisition of Poundland Holdings Limited by funds managed by Warburg Pincus have been satisfied and therefore the offer from Warburg Pincus is unconditional. The all equity offer takes into account the redemption of the Advent loan notes at completion as well as the new working capital facilities being provided by Bank of Scotland.

During the year the company remained well within its banking covenants and expects to remain so throughout 2010/11.

The group uses foreign exchange forward contracts and options only to hedge the cost of unfulfilled orders placed on foreign suppliers for product denominated in foreign currency. The group does not speculate with foreign currency transactions.

Outlook

I stated in last year's report that I thought the challenging economic climate would continue with consumers continuing to seek exceptional value for money. This has proven to be the case. I believe that the conditions that prevailed throughout the past year will persist and harden still further as the economic remedies that the new government apply, bite harder into the disposable element of consumers' income. Consumers will continue to seek value by shopping sensibly and selectively to save money. Poundland is a key component of value shopping as over 3 million customers a week would testify to.

Poundland Holdings Limited

Chief Executive review (continued)

Outlook (continued)

Central to our future success is the store growth plan. We have a strong new store pipeline and expect to open at least 50 new stores this year. We have already opened 19 stores since the start of the new financial year bringing Poundland's compelling single price retail shopping proposition to thousands of new customers. We now operate a total of 12 stores in Northern Ireland and are ready to expand our store numbers there still further. In addition to opening stores in traditional locations we are testing new stores on retail trading parks and subject to the metrics anticipate further openings during the year.

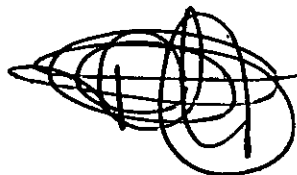
The new year has started well with sales, EBITDA and operating profit ahead of budget. Whilst the trading and economic environments will remain difficult I expect the company to perform robustly, delivering value to all of our stakeholders, especially our valued customers.

I take this opportunity to thank all of our supplier partners in the UK and abroad for their invaluable help in providing products and services that are essential in maintaining our reputation for creating amazing value every day.

On behalf of the Poundland Board I thank all of our colleagues throughout the company that work so hard and tirelessly to help provide the unique Poundland shopping experience to our valued customers every day.

The company continues to seek to improve its performance in all areas of the business. Since the year end the business has, after eight years ownership by Advent International, been sold to Warburg Pincus, another large private equity company. I am delighted that Warburg Pincus recognised the attractive opportunity that Poundland offers its investors and that they are fully aligned to management's growth strategy.

The Board looks forward to the future with confidence.

A handwritten signature in black ink, appearing to read 'Jim McCarthy', written over a series of horizontal lines.

Jim McCarthy
Chief Executive

16 June 2010

Poundland Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 28 March 2010
(52 weeks ended 29 March 2009)

Principal activity and business review

The principal activity of the group is that of a single price value retailer. The principal activity of the company is that of a holding company. The Chief Executive review on pages 2 to 5 gives a full review of the business for the period.

Principal risks and uncertainties

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

The Group sources products from a variety of locations including international markets. It is exposed to movement in the price and supply of key raw materials and foreign currency fluctuations on certain purchases sourced from overseas. The Group's operations are also exposed to the risk of movements in interest rates with a resulting impact on customer demand and the cost and availability of consumer finance. Raw material prices, currency rates and interest have been subject to increased volatility in the prevailing economic climate. These risks are managed by spreading the source of supply and hedging policies for currency.

The business is also subject to an increasing burden of compliance in many of its activities from regulatory and other authorities and is subject to regulatory risk with potential for significant financial impact. The Group has consciously managed this risk by taking steps to ensure it complies with all relevant legislation and guidelines including treating its customers fairly.

Results and dividend

The results for the period are set out in the group profit and loss account on page 10. The directors do not recommend the payment of a dividend (2009 Nil).

Directors

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

J J McCarthy
N R Hateley
T Franks
C D Smith
R F Sheldon

Poundland Holdings Limited

Directors' report (continued)

Policy and practice on payment of creditors

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

Group trade creditors, expressed as the number of days of purchases, represented 25 days at the period end (2009 26 days)

Employees

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

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

Post Balance Sheet Event

Post year end, on 2 May 2010, the majority shareholding of Poundland Holdings Limited was sold by Advent International to Warburg Pincus, a global private equity firm. All conditions precedent regarding the acquisition of Poundland Holdings Limited by funds managed by Warburg Pincus have now been satisfied. The expectation of the board is that this change of control will not lead to any significant changes to trading.

Financial instruments

The company is exposed to foreign currency risk on purchases from abroad and uses forward contracts to hedge against these foreign currency risks.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

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

By order of the board



N R Hateley
Company Secretary
Wellmans Road
Willenhall
West Midlands
WV13 2QT
16 June 2010

Poundland Holdings Limited

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

The directors are responsible for preparing 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 year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 group and parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of Poundland Holdings Limited

We have audited the financial statements of Poundland Holdings Limited for the year ended 28 March 2010 set out on pages 10 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 March 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



G Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
16 June 2010

Poundland Holdings Limited

Group profit and loss account

52 weeks ended 28 March 2010 (52 weeks ended 29 March 2009)

	<i>Note</i>	52 weeks 2010 £'000	52 weeks 2009 £'000
Turnover		509,791	396,188
Cost of sales		(317,167)	(245,907)
Gross profit		192,624	150,281
Distribution costs		(150,238)	(119,128)
Administrative expenses		(20,929)	(19,333)
Operating profit	2	21,457	11,820
<i>Operating profit before goodwill amortisation</i>			
		23,240	13,780
Goodwill amortisation		(1,783)	(1,960)
<i>Operating profit</i>		21,457	11,820
Net interest payable	5	(1,700)	(3,212)
Profit on ordinary activities before taxation		19,757	8,608
Tax on profit on ordinary activities	6	(6,767)	(3,839)
Profit for the financial period	17, 18	12,990	4,769

All activities were continuing throughout the current and preceding period

Poundland Holdings Limited

Group balance sheet

As at 28 March 2010 (29 March 2009)

	<i>Note</i>	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	7	23,643	25,883
Tangible assets	8	27,328	21,164
		<u>50,971</u>	<u>47,047</u>
Current assets			
Stocks	10	40,925	29,067
Debtors	11	13,142	11,275
Cash at bank and in hand		5,340	2,427
		<u>59,407</u>	<u>42,769</u>
Other creditors		(53,893)	(47,849)
Bank and shareholder loans *		(24,677)	-
Creditors: amounts falling due within one year	12	(78,570)	(47,849)
Net current liabilities		(19,163)	(5,080)
Total assets less current liabilities		31,808	41,967
Creditors amounts falling due after more than one year	13	(4,133)	(27,726)
Provisions for liabilities and charges	15	(863)	(704)
Net assets		26,812	13,537
Capital and reserves			
Called up share capital	16	425	400
Share premium account	17	3,620	3,620
Profit and loss account	17	22,767	9,517
Shareholders' funds	18	26,812	13,537

* The group is required to present bank and shareholder loans as due within one year, however, the bank loan has been replaced with a longer term debt subsequent to the year end, further details of which are disclosed in note 12

The financial statements were approved by the Board of Directors on 16 June 2010 and were signed on its behalf by


N R Hateley

Director

Company number 04386329

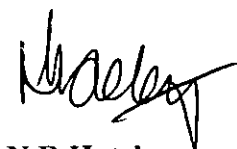
Poundland Holdings Limited

Company balance sheet

As at 28 March 2010 (29 March 2009)

	<i>Note</i>	2010 £'000	2009 £ 000
Fixed assets			
Investments	9	83	43
Current assets			
Debtors	11	8,054	8,711
Creditors, amounts falling due within one year	12	(5,511)	(6,179)
Net current assets		2,543	2,532
Total assets less current liabilities		2,626	2,575
Net assets		2,626	2,575
Capital and reserves			
Called up share capital	16	425	400
Share premium account	17	3,620	3,620
Profit and loss account	17	(1,419)	(1,445)
Shareholders' funds	18	2,626	2,575

The financial statements were approved by the Board of Directors on 16 June 2010 and were signed on its behalf by



N R Hateley
Director
Company number 04386329

Poundland Holdings Limited

Group cash flow statement

52 weeks ended 28 March 2010 (52 weeks ended 29 March 2009)

	<i>Note</i>	2010 £'000	2009 £'000
Net cash inflow from operating activities	21	29,867	19,843
Returns on investment and servicing of finance	22	(1,204)	(2,437)
Taxation		(5,152)	(3,125)
Capital expenditure and financial investment	22	(13,060)	(8,103)
Net cash inflow before financing		10,451	6,178
Financing	22	(7,538)	(8,500)
Increase/ (decrease) in cash in the period		2,913	(2,322)

Reconciliation of net cash flow to movement in net debt

52 weeks ended 28 March 2010 (52 weeks ended 29 March 2009)

	2010 £'000	2009 £'000
Increase / (decrease) in cash in the period	2,913	(2,322)
Cash outflow from decrease in debt	7,563	8,500
Change in net debt resulting from cash flows	10,476	6,178
Non cash movements	(681)	(972)
Movement in net debt in the period	9,795	5,206
Net debt at start of the period	(29,132)	(34,338)
Net debt at the end of the period	(19,337)	(29,132)

Poundland Holdings Limited

Consolidated statement of total recognised gains and losses for the period ended 28 March 2010

	2010 £'000	2009 £'000
Profit for the financial year	12,990	4,769
Total recognised gains relating to the period	12,990	4,769
Retranslation of foreign subsidiary opening reserves	(13)	100
Total gain recognised since last annual report	12,977	4,869

Poundland Holdings Limited

Notes to the financial statements

1 Principal accounting policies

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

Basis of preparation

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

Going concern

The group had net current liabilities of £19.2 million as at 28 March 2010 as a result of its principal banking and loan note facilities being shown as due within one year. As disclosed in note 12 to the financial statements, the banking facility was due for repayment on 4 August 2010 although on 30 April 2010 the refinancing of the banking facility was completed such that the group's principal banking facility is no longer due for repayment within one year.

The group has considerable financial resources together with a strong ongoing trading performance. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the group 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 information regarding the group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive Review on pages 2 to 5.

Basis of consolidation

The group financial statements consolidate the results of the company and its subsidiary undertakings at 28 March 2010, excluding intra group transactions. Subsidiary undertakings are accounted for using the acquisition method. No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006. The company loss was £247,000 for the period (2009 £366,000 loss).

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

Investments

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

Consideration paid for own shares is deducted from shareholders' funds.

Debt costs

Debt issue costs are offset against debt and amortised over the term of the loan.

Turnover

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

Poundland Holdings Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Fixed assets and depreciation

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

Short leasehold property	-	Over the term of the lease
Property improvements	-	10% to 15% per annum
Plant and equipment	-	15% to 33% per annum
Fixtures and fittings	-	15% per annum
Motor vehicles	-	25% per annum

Foreign currencies

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

The assets and liabilities of one overseas subsidiary undertaking are translated at the closing exchange rate at the balance sheet date. The profit and loss account of the company is translated at the average rate during the period. Gains and losses arising on the translation are taken to reserves.

Operating leases

Amounts payable under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

Pensions

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

Stocks

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

Taxation

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

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

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Store development costs

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

Poundland Holdings Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Classification of financial instruments issued by the company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) 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 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 called up share capital and share premium account exclude amounts in relation to those shares

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of FRS 20 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

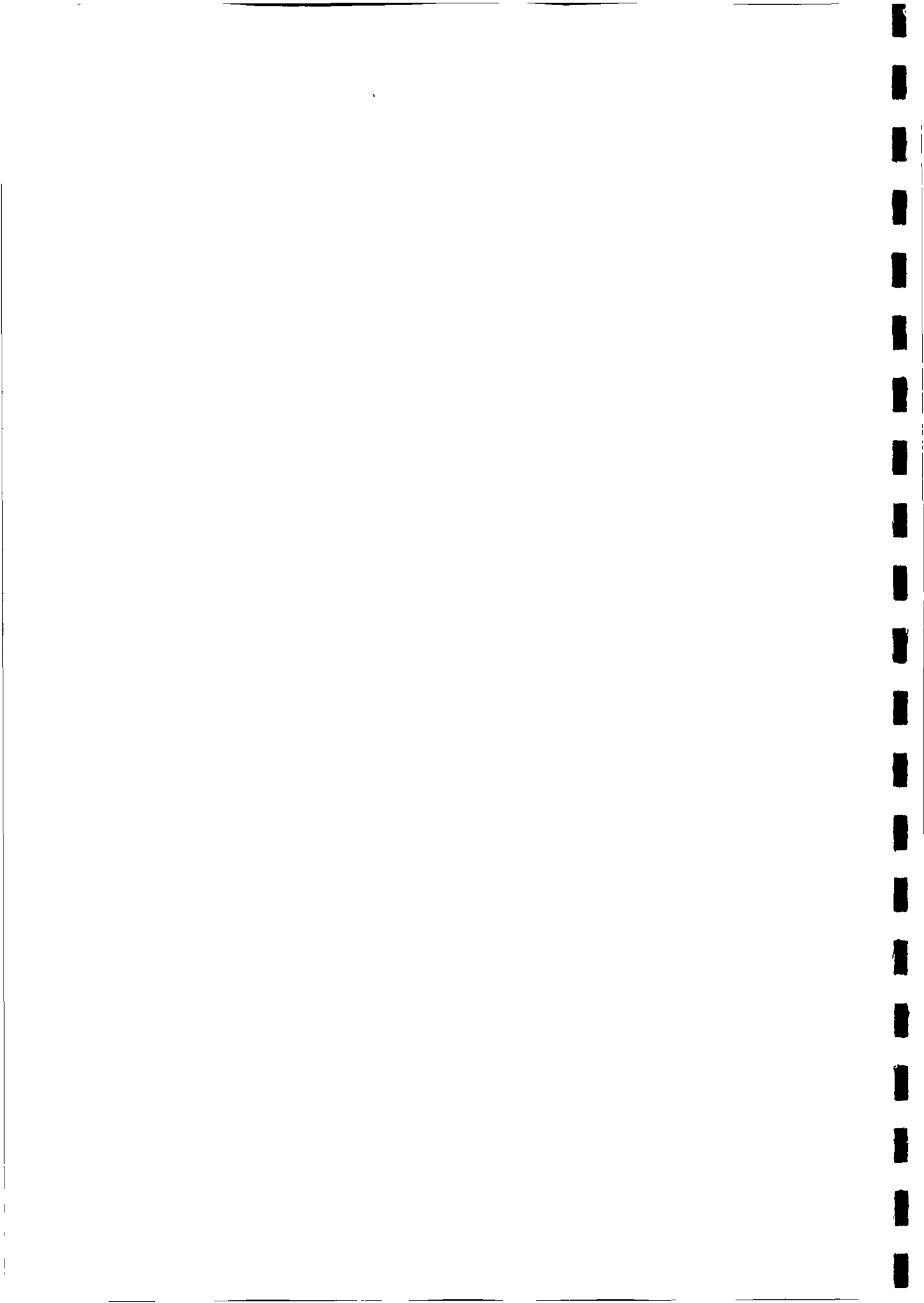
Dividends on shares presented within shareholders' funds

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

Poundland Holdings Limited

Notes to the financial statements (continued)

2	Operating profit	52 weeks	52 weeks
	Operating profit is stated after charging	2010	2009
		£'000	£ 000
	Depreciation and other amounts written off tangible fixed assets		
	Owned	6,813	6,246
	Loss on disposal of fixed assets	83	-
	Amortisation of goodwill	1,783	1,960
	Payments under operating leases		
	Hire of plant and equipment	2,348	1,942
	Other	33,616	26,961
		<hr/>	<hr/>
	Auditors' remuneration	52 weeks	52 weeks
		2010	2009
		£'000	£'000
	Audit of these financial statements	5	4
	Amounts receivable by the auditors and their associates in respect of		
	Audit of financial statements of subsidiaries pursuant to legislation	40	40
	Other services, including taxation	63	46
		<hr/>	<hr/>
3	Directors' remuneration	52 weeks	52 weeks
		2010	2009
		£'000	£'000
	Directors' emoluments	1,128	821
	Company contribution to defined contribution pension scheme	85	82
		<hr/>	<hr/>
		1,213	903
		<hr/>	<hr/>
	Two directors (<i>2009 two</i>) were members of defined contribution pension schemes		
	One director (<i>2009 none</i>) exercised share options in the period		
	Highest paid director		
	Director's emoluments	693	493
	Company contribution to defined contribution pension scheme	55	53
		<hr/>	<hr/>
		748	546
		<hr/>	<hr/>
	The highest paid director exercised share options in the period		



Poundland Holdings Limited

Notes to the financial statements (continued)

4 Staff numbers and costs

	2010 Number	2009 Number
The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows		
Administration	223	221
Selling and distribution	6,479	5,253
	<hr/> 6,702	<hr/> 5,474

	52 weeks 2010 £'000	52 weeks 2009 £'000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	73,300	59,130
Share based payments	273	20
Social security costs	4,293	3,629
Other pension costs	587	506
	<hr/> 78,453	<hr/> 63,285

5 Net interest payable

	52 weeks 2010 £'000	52 weeks 2009 £'000
Interest payable		
On bank loans	(1,188)	(2,483)
On deferred consideration	(54)	(316)
On Advent Loan notes	(486)	(435)
	<hr/> (1,728)	<hr/> (3,234)
Interest receivable	28	22
	<hr/> (1,700)	<hr/> (3,212)

Poundland Holdings Limited

Notes to the financial statements (continued)

6 Taxation on ordinary activities

	52 weeks 2010 £'000	52 weeks 2009 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	6,704	3,937
Adjustments in respect of prior periods	(96)	(261)
Total current tax	6,608	3,676
<i>Deferred tax (see note 15)</i>		
Origination of timing differences	309	(201)
Adjustments in respect of prior periods	(150)	364
Total deferred tax	159	163
Tax on profit on ordinary activities	6,767	3,839

Factors affecting the current tax charge for the period

	52 weeks 2010 £'000	52 weeks 2009 £'000
The current tax charge for the period is higher (2009 higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below		
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	19,757	8,608
Current tax at 28% (2009 28%)	5,532	2,410
<i>Effects of</i>		
Goodwill amortisation	499	549
Expenses not deductible for tax purposes	982	777
Capital allowances for period less than depreciation and other timing differences	(309)	201
Adjustments to tax in respect of prior periods	(96)	(261)
Total current tax charge	6,608	3,676

Poundland Holdings Limited

Notes to the financial statements (continued)

7 Intangible fixed assets

	Goodwill £'000
Group	
<i>Cost</i>	
At 30 March 2009	39,222
Adjustment	(457)
	<hr/>
At 28 March 2010	38,765
	<hr/>
<i>Amortisation</i>	
At 30 March 2009	13,339
Charge for the period	1,783
	<hr/>
At 28 March 2010	15,122
	<hr/>
<i>Net book value</i>	
At 28 March 2010	23,643
At 29 March 2009	25,883
	<hr/>

During the period, a proportion of the original investment fell due for payment. As part of the settlement process, it was deemed that the company was not liable for all of these costs. Consequently the original cost of investment has been adjusted.

Poundland Holdings Limited

Notes to the financial statements (continued)

8 Tangible fixed assets

Group	Short leasehold property £'000	Fixtures and fittings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>					
At 30 March 2009	19,203	13,231	19,023	207	51,664
Additions	2,305	4,362	6,396	-	13,063
Disposals	(211)	(128)	(70)	-	(409)
At 28 March 2010	21,297	17,465	25,349	207	64,318
<i>Depreciation</i>					
At 30 March 2009	12,060	7,059	11,174	207	30,500
Charge for the period	2,334	1,834	2,645	-	6,813
Disposals	(188)	(74)	(61)	-	(323)
At 28 March 2010	14,206	8,819	13,758	207	36,990
<i>Net book value</i>					
At 28 March 2010	7,091	8,646	11,591	-	27,328
At 29 March 2009	7,143	6,172	7,849	-	21,164

Poundland Holdings Limited

Notes to the financial statements (continued)

9 Investments

	Company £'000
<i>Cost</i>	
At 30 March 2009	43
Additions	<u>40</u>
At 28 March 2010	<u>83</u>

During the period, the Company acquired 5,504,104 1p preference shares in Poundland Willenhall Limited incurring stamp duty of £27,000

The company's subsidiary undertakings are

Name	Country of incorporation	Principal Activity	Percentage of ordinary Shares held
<i>Subsidiary undertakings</i>			
Poundland Willenhall Limited*	Great Britain	Investment company	100%
Poundland Trustee Limited*	Great Britain	Trustee	100%
Poundland Limited	Great Britain	Single price value retailer	100%
M&O Business Systems Limited	Great Britain	Dormant	100%
Bargain Limited	Great Britain	Dormant	100%
Homes & More Limited	Great Britain	Dormant	100%
Poundland Stores Limited	Great Britain	Dormant	100%
Poundland International Limited	Great Britain	Dormant	100%
Sheptonview Limited	Great Britain	Dormant	100%
Poundland Far East Limited	Hong Kong	Product sourcing	100%

* Directly owned subsidiary All other subsidiaries are held indirectly

10 Stocks

	Group	
	2010 £'000	2009 £'000
Goods purchased for resale	<u>40,925</u>	<u>29,067</u>

Poundland Holdings Limited

Notes to the financial statements (continued)

11 Debtors	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade debtors	1,726	1,186	-	-
Other debtors	-	112	-	-
Amounts owed by group undertakings	-	-	8,054	8,700
Group relief receivable	-	-	-	11
Prepayment and accrued income	11,416	9,977	-	-
	13,142	11,275	8,054	8,711

12 Creditors: amounts falling due within one year	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade creditors	21,783	12,703	-	-
Corporation tax	3,575	2,119	30	-
Amount owed to group undertakings	-	-	5,481	49
Other taxation and social security	5,792	4,307	-	692
Other creditors	3,001	2,928	-	-
Accruals and deferred income	19,742	20,354	-	-
Deferred consideration	-	5,438	-	5,438
	53,893	47,849	5,511	6,179
Bank loan	20,000	-	-	-
Loan notes	4,677	-	-	-
	78,570	47,849	5,511	6,179

Prior to the year end, the group was in negotiation with Bank of Scotland to extend the existing facility for a further two years. Negotiations were well advanced and approaching completion when an offer was received from funds managed by Warburg Pincus to acquire the share capital of Poundland Holdings Limited.

The structure of the ongoing facilities was therefore redesigned to meet the requirements of the post acquisition Poundland structure. On 30 April 2010, the new banking facility of £22 million, which runs to 30 July 2011, was agreed and documented. This takes effect from the date Warburg Pincus acquires Poundland Holdings Limited.

Although the new banking arrangement has been agreed, its timing, post year end, requires the group to present the facility in place at 28 March 2010 as falling due within one year. In practice, this facility will be replaced at completion.

Poundland Holdings Limited

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year (continued)

At the time of signing and approving these financial statements, all conditions precedent regarding the acquisition of Poundland Holdings Limited by funds managed by Warburg Pincus have been satisfied and therefore the offer from Warburg Pincus is unconditional. The all equity offer takes into account the redemption of the Advent Loan Notes at completion as well as the new working capital facilities being provided by Bank of Scotland.

The bank loan is secured by a charge on the group's Retail Support Centre, and is repayable by one payment. Bank loans include £nil (2009 £70,000) of unamortised amounts relating to fees on the issue of bank loans to the group.

The interest element of the loan notes rolls up and remains unpaid until repayment of the capital.

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Bank loan	-	21,930	-	-
Accruals and deferred income	4,133	1,605	-	-
	<u>4,133</u>	<u>23,535</u>	<u>-</u>	<u>-</u>
Loan notes	-	4,191	-	-
	<u>4,133</u>	<u>27,726</u>	<u>-</u>	<u>-</u>

14 Analysis of debt

	2010				2009			
	Bank loan £'000	Loan notes £'000	Deferred consideration £'000	Total £'000	Bank loan £'000	Loan notes £'000	Deferred consideration £'000	Total £'000
Payable								
Within 1 year	20,000	4,677	-	24,677	-	-	5,438	5,438
Between 1 and 2 years	-	-	-	-	21,930	4,191	-	26,121
	<u>20,000</u>	<u>4,677</u>	<u>-</u>	<u>24,677</u>	<u>21,930</u>	<u>4,191</u>	<u>5,438</u>	<u>31,559</u>

Poundland Holdings Limited

Notes to the financial statements (continued)

15 Provisions for liabilities and charges

Deferred taxation

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

	2010 £'000	Group £'000
Deferred tax liability at the beginning of the period		704
Arising in the period		159
		<hr/>
Deferred tax liability at the end of the period		863
		<hr/>
	2010 £'000	2009 £'000
Accelerated capital allowances	939	468
Other timing differences	(76)	236
	<hr/>	<hr/>
Deferred tax liability	863	704
	<hr/>	<hr/>

There is no deferred tax arising in the company (2009 nil)

16 Called up share capital

	2010 £'000	2009 £'000
<i>Allotted, called up and fully paid</i>		
500,000 ordinary shares of 10p each	50	50
3,500,000 'A' shares of 10p each	350	350
237,958 'D' shares of 10p each	24	-
10,000 'E' shares of 10p each	1	-
	<hr/>	<hr/>
	425	400
	<hr/>	<hr/>

On 5th June 2009 the Company issued 191,259 'D' shares for total consideration of £19,125

On 9th July 2009 the Company issued a further 46,699 'D' shares for total consideration of £4,669

On 1st December 2009 the Company issued 10,000 'E' shares for total consideration of £1,000

Poundland Holdings Limited

Notes to the financial statements (continued)

17 Share premium and reserves

	Profit and loss account £'000	Share premium account £'000	Total £'000
Group			
At 30 March 2009	9,517	3,620	13,137
Profit for the financial period	12,990	-	12,990
Retranslation of foreign subsidiary opening reserves	(13)		(13)
Credit in relation to shared based payments	273	-	273
At 28 March 2010	22,767	3,620	26,387
	Profit and loss account £'000	Share premium account £'000	Total £'000
Company			
At 30 March 2009	(1,445)	3,620	2,175
Loss for the financial period	(247)	-	(247)
Credit in relation to shared based payments	273	-	273
At 28 March 2010	(1,419)	3,620	2,201

At the end of the period, Poundland Trustees Limited held nil (2009 51,021) ordinary shares in Poundland Holdings Limited

18 Reconciliation of movements in shareholders' funds for the 52 weeks ended 28 March 2010 (52 weeks ended 29 March 2009)

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit / (loss) for the financial period	12,990	4,769	(247)	(366)
New shares issued	25	-	25	
Retranslation of foreign subsidiary opening reserves	(13)	100	-	-
Credit in relation to share based payments	273	20	273	20
Net increase / (reduction) to shareholders' funds	13,275	4,889	51	(346)
Opening shareholders' funds	13,537	8,648	2,575	2,921
Closing shareholders' funds	26,812	13,537	2,626	2,575

Poundland Holdings Limited

Notes to the financial statements (continued)

19 Capital commitments

	2010 £'000	2009 £'000
Capital commitments for which no provision has been made in the financial statements of the group were as follows		
Contracted	3,152	545

The company has no capital commitments (2009 £ nil)

20 Operating lease commitments

	Group			
	2010	Other	2009	Other
	Land and buildings £'000	£'000	Land and buildings £'000	£'000
Annual commitments under non-cancellable operating leases for the group are as follows				
Operating leases which expire				
- within one year	517	347	1,128	403
- in the second to fifth years inclusive	5,553	1,618	3,187	1,503
- in over five years	35,972	-	26,476	-
	<u>42,042</u>	<u>1,965</u>	<u>30,791</u>	<u>1,906</u>

The company has no annual commitments (2009 £nil) under non-cancellable operating leases

21 Reconciliation of operating profit to operating cash flows

	52 weeks 2010 £'000	52 weeks 2009 £'000
Operating profit	21,457	11,820
Depreciation	6,813	6,246
Amortisation of goodwill	1,783	1,960
Loss on disposal of fixed assets	86	-
(Increase) in stocks	(11,858)	(5,078)
(Increase) in debtors	(1,867)	(1,358)
Increase in creditors	13,180	6,233
Share based payments	273	20
	<u>29,867</u>	<u>19,843</u>
Net cash inflow from operating activities	<u>29,867</u>	<u>19,843</u>

Poundland Holdings Limited

Notes to the financial statements (continued)

22 Analysis of cash flows

	52 weeks 2010 £'000	52 weeks 2009 £'000		
Returns on investment and servicing of finance				
Interest received	28	22		
Interest paid	(1,232)	(2,459)		
	<u>(1,204)</u>	<u>(2,437)</u>		
Capital expenditure				
Proceeds from disposal	3	-		
Purchase of tangible fixed assets	(13,063)	(8,103)		
	<u>(13,060)</u>	<u>(8,103)</u>		
Financing				
Receipt of share capital	25	-		
Repayment of bank loans and deferred consideration	(7,563)	(8,500)		
	<u>(7,538)</u>	<u>(8,500)</u>		
Analysis of net debt				
	At 30 March 2009 £'000	Cash flow £'000	Non-cash changes * £'000	At 28 March 2010 £'000
Cash at bank and in hand	2,427	2,913	-	5,340
Debt due within one year	(5,438)	5,563	(24,802)	(24,677)
Debt due after one year	(26,121)	2,000	24,121	-
	<u>(29,132)</u>	<u>10,476</u>	<u>(681)</u>	<u>(19,337)</u>

*The bank and shareholder loans have been presented as due within one year for the reasons discussed in note 12
Net increase in debt due to rolled up interest on loans offset by amortisation of arrangement fees

Poundland Holdings Limited

Notes to the financial statements (continued)

23 Share based payments

Nature and extent of share schemes

At the beginning of the period, there were two share option schemes in existence. The Poundland Holdings Limited 2003 Enterprise Management Incentive Scheme and The Poundland Holdings 2004 Unapproved Share Option Scheme. The options under both schemes are made in the form of a right to acquire "C" Ordinary Shares in the Company and are exercisable at £1 per £0.10 share on a Realisation Event (Change of Control or Listing as defined in the Scheme Rules). The options granted that have not been exercised will lapse 10 years from date of grant. The number of options exercisable is subject to continuing employment conditions over a staggered earning period as set out in the Scheme Agreements, but are not subject to any market based performance related conditions.

Although options cannot be exercised until a Realisation Event, the proportion of options available to exercise increase as time passes (provided that the option holder remains in employment).

During the period, on 4 November 2009, 52,500 options were granted under a third share option scheme – The Poundland Holdings 2009 Unapproved Share Option Scheme (2009 Nil).

The number and weighted average exercise share prices of share options in the year are as follows:

	2010 Weighted average exercise price £	2010 Number of options	2009 Weighted average exercise price £	2009 Number of Options
Outstanding at the beginning of the period	1.00	126,361	1.00	128,161
Granted during the period	1.00	52,500	-	-
Lapsed during the period	1.00	(3,500)	1.00	(1,800)
Outstanding at the end of the period	1.00	175,361	1.00	126,361

The average remaining contractual life of the options is 2 years (2009 3 years). The exercise price for the options outstanding at the period end is £1 (2009 £1). No options are exercisable at the period end.

The total charge to the profit and loss account in respect of equity settled share based payments was £273,000 (2009 £20,000). This charge was included in administrative expenses.

For options granted during the period the fair value of each option was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

Exercise Price	£1
Volatility	50%
Life of option	10 years
Weighted average share price	£5.60
Dividend yield	Nil
Risk free interest rate	3.62%

24 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £587,000 (2009 £506,000). Contributions amounting to £84,000 (2009 £74,000) were payable to the scheme and are included in creditors.

Poundland Holdings Limited

Notes to the financial statements (continued)

25 Transactions with related parties

There were no transactions with related parties during the period

26 Financial Instruments

The fair value of forward contracts outstanding as at 28 March 2010 is an asset of £5.3 million (2009 £9.4 million). The fair value has not been recognised as forward contracts mature over varying periods from the balance sheet date and the exchange rate is expected to fluctuate in the period up to maturity.

27 Post Balance Sheet Event

Post year end, on 2 May 2010, the majority shareholding of Poundland Holdings Limited was sold by Advent International to Warburg Pincus, a global private equity firm. All conditions precedent regarding the purchase of Poundland Holdings Limited by funds managed by Warburg Pincus have been satisfied. The expectation of the board is that this change of control will not lead to any significant changes to trading.