

Poundland Holdings Limited

Annual Report and Accounts

2008

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Poundland Holdings Limited

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Registered number: 04386329

Poundland Holdings Limited

Chief Executive review

Business description

Poundland is Europe's largest single price value retailer, offering for sale throughout England, Scotland and Wales a wide variety of general merchandise, including food and drink, from nearly 170 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 1.8 million customer transactions in our stores every week. We are a price driven, product led business, that relies on generating the "wow" factor across all categories including big brands, and "one off" bargain purchases that are simply irresistible to our customers.

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

In March 2007, I communicated our Strategy, Goal and Values to our colleagues, and during the period we have made substantial progress towards achieving our objectives.

Putting Customers First is one of our key Poundland values and lies at the heart of our business strategy. As part of delivering this ambition, the group completed Project Unity during the period. The project was designed to upgrade store shelving and merchandising equipment to enable colleagues to implement new category plans devised by our Trading team. Project Unity was successfully delivered by the end of March 2008, and I am pleased to report that the results have been ahead of our expectations.

Project Unity has enabled us to implement our new category plans, which has resulted in the introduction of over 40 Poundland sub-brands. These are unique to us, and underpin the communication of amazing value to our customers. As an example, "Gardencentre" is a key sub-brand that generated double digit like-for-like sales growth during the period.

We continue to seek ways to further improve the Poundland in-store customer experience. In September 2007, we successfully completed the programme to introduce Chip and Pin electronic payment technology into all of our stores. Customers can now choose the most convenient payment method to them to pay for their purchases. A number of other initiatives are being undertaken, including the trialling of ATM cash machines in a small number of stores.

Our Supply Chain has seen substantial change. Through a new relationship with DHL we have introduced de-consolidation centres and outbases into our network. This has allowed us to lower stem mileage, reducing our costs and carbon footprint. We continue to seek opportunities to improve the efficiency of our Supply Chain and will continue to focus on reducing costs during the new financial period.

We have a policy of Recognising and Rewarding Success in our company and announced a company wide annual bonus scheme for the last financial period that was linked to a combination of our overall operating profit before interest, taxation, depreciation and amortisation (EBITDA) performance and the achievement of personal objectives. I am delighted that our performance across the period has allowed us to create a provision of £750k in our accounts that will result in around 1,000 colleagues benefiting from a bonus payment.

Poundland Holdings Limited

Chief Executive review (continued)

Store portfolio

The group increased its store portfolio during the period adding 14 new stores and relocating 3 stores to better sites in the same town. At the period end the company operated from 167 locations.

Results

Turnover, net of VAT, for the 52 week period was £329.7 million (*52 weeks 2007 £310.7 million*). This represents an overall increase of 6.1% 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. Consequently, operating costs have increased to £115.5 million (35.0% of turnover) from £109.4 million (*2007 35.2%*).

Operating profit after goodwill amortisation of £2.0 million and exceptional item of £0.4 million, was £8.0 million for the period (*52 weeks 2007 £3.6 million*), an improvement of 122% on the prior period performance. The exceptional item relates to compensation for early termination of a store lease of £0.5 million less the disposal costs and loss on disposal of fixed assets of £0.1 million. After adding back depreciation of £5.7 million, and goodwill amortisation of £2.0 million, the EBITDA of the business was £15.7 million (*2007 £11.0 million*). After taking account of net interest payable of £3.8 million, and a tax charge of £2.4 million, the group delivered a profit for the period of £1.9 million (*2007 loss of £1.2 million*).

Finances

During the period the group generated cash of £17.3 million (*52 weeks 2007 £4.0 million*) from operating activities. This was used to fund capital expenditure, mainly on new stores and upgrading of the shelving displays in the existing stores, of £7.1 million (*52 weeks 2007 £3.6 million*). After financing costs, taxation and loan repayments the increase in cash in the period was £5.5 million (*52 weeks 2007 decrease of £4.1 million*).

The group has available to it a substantial facility with Bank of Scotland, which provides adequate headroom for the group's current and future anticipated requirements. In March 2008 the existing banking facility with Bank of Scotland was extended until August 2010. The Company also received £3.5 million in the form of loan notes during the period, from funds managed by Advent International Corporation, to support additional store openings.

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

The company experienced strong like-for-like (LFL) sales growth during the period. We achieved positive year-on-year growth in each of the four Quarters. This represents a good result as our fixed single price policy means that our LFL does not benefit from sales price inflation. Importantly, we have experienced strong LFL growth in Average Transaction Values, which has offset the recent reducing footfall on the High Street. LFL sales have been positive during the first few months of the new financial period.

The current economic climate in the UK is challenging. Of particular concern to value retailers is the impact of inflationary pressures on non-discretionary household expenditures e.g. food, energy costs and fuel. The impact of this is to lower discretionary spend, and consequently the frequency of visits to the High Street. Fortunately, under these conditions, Poundland's unique single price strategy, delivering amazing value, provides an even greater attraction for economically challenged consumers and is also attractive to those middle income consumers who are seeking value as they adjust their expenditure.

Poundland Holdings Limited

Chief Executive review (continued)

Inflation pressure on the cost price of goods for resale is also an area that requires management. Basic Commodities have experienced greater cost increases than in any period for over a decade. Manufacturers continue to seek to pass these costs on to distributors and retailers. Whilst our single price point and amazing value is Poundland's strength, unlike other multi price retailers there is no scope for us to pass on these increases to customers. However, we are aiming to grow our store estate significantly during 2008/09 and our plans for 30 new stores are progressing well. The additional store growth, alongside same store sales growth, will increase purchasing volumes and help our Trading team leverage better deals from our suppliers. This will, together with other routine management actions, help manage the overall gross margin within a more challenging inflationary environment.

It is not only this area where we are experiencing cost pressures. Fuel costs have increased substantially during the period and this is having a direct impact on our Supply Chain costs. We are mitigating some of this cost through the use of outbases, with the benefit of reductions in stem mileage, but fuel costs will continue to require close management.

The Company has invested in capability and infrastructure during the period and despite the increasingly challenging economic conditions I believe is well placed to build upon the strong performance achieved in this financial period.

I would like to take this opportunity to thank our supplier partners for their help in providing products and services that allow us to be true to our goal of providing our customers with amazing value every day.

I also thank, on behalf of the Poundland Board, all of our colleagues throughout the Company who help provide the unique Poundland shopping experience to over a quarter of a million customers every day.

The Board looks forward to the future with confidence.



Jim McCarthy
Chief Executive

25 September 2008

Poundland Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 March 2008
(52 weeks ended 1 April 2007)

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 4 gives a full review of the business for the period.

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 (2007 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

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 26 days at the period end (2007 23 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.

Poundland Holdings Limited

Directors' report (continued)

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

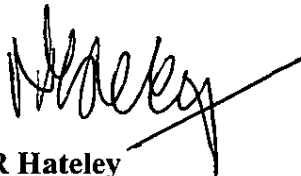
Disclosure of information to auditors

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

KPMG LLP have expressed their willingness to continue in office as auditors and in accordance with Section 384 of the Companies Act 1985 a resolution proposing their re-appointment will be submitted at the Annual General Meeting

By order of the board



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

25 September 2008

Poundland Holdings Limited

Statement of directors' responsibilities

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 Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that 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 1985. 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



KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Poundland Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Poundland Holdings Limited for the period ended 30 March 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Independent auditors' report to the members of Poundland Holdings Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 March 2008 and of the group's profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 September 2008

Poundland Holdings Limited

Group profit and loss account

52 weeks ended 30 March 2008 (52 weeks ended 1 April 2007)

	<i>Note</i>	52 weeks 2008 £'000	52 weeks 2007 £'000
Turnover	1	329,671	310,657
Cost of sales		<u>(206,164)</u>	<u>(197,723)</u>
Gross profit		123,507	112,934
Distribution costs		(98,456)	(91,699)
Administrative expenses		(17,023)	(17,670)
Operating profit	2	8,028	3,565
<i>Operating profit before goodwill amortisation and exceptional item</i>			
		9,618	6,141
Goodwill amortisation		(1,960)	(1,960)
Exceptional item	2	370	(616)
<i>Operating profit</i>		8,028	3,565
Net interest payable	5	(3,791)	(3,940)
Profit / (loss) on ordinary activities before taxation		4,237	(375)
Tax on profit / (loss) on ordinary activities	6	(2,371)	(845)
Profit / (loss) for the financial period	17	1,866	(1,220)

All activities were continuing throughout the current and preceding period

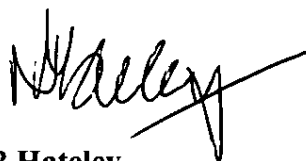
Poundland Holdings Limited

Group balance sheet

As at 30 March 2008 (1 April 2007)

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	7	27,843	29,803
Tangible assets	8	19,307	18,040
		<hr/>	<hr/>
		47,150	47,843
Current assets			
Stocks	10	22,791	21,118
Debtors	11	9,917	11,684
Cash at bank and in hand		4,749	15
		<hr/>	<hr/>
		37,457	32,817
Creditors: amounts falling due within one year	12	(33,952)	(32,420)
		<hr/>	<hr/>
Net current assets		3,505	397
		<hr/>	<hr/>
Total assets less current liabilities		50,655	48,240
Creditors: amounts falling due after more than one year	13	(41,466)	(40,694)
Provisions for liabilities and charges	15	(541)	(792)
		<hr/>	<hr/>
Net assets		8,648	6,754
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	400	400
Share premium account	17	3,620	3,620
Profit and loss account	17	4,628	2,734
		<hr/>	<hr/>
Shareholders' funds	18	8,648	6,754

The financial statements on pages 10 to 29 were approved by the Board of Directors on 25 September 2008 and were signed on its behalf by



N R Hateley
Director

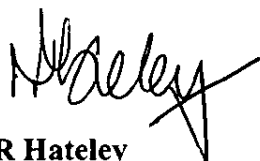
Poundland Holdings Limited

Company balance sheet

As at 30 March 2008 (1 April 2007)

	<i>Note</i>	2008 £'000	2007 £'000
Fixed assets			
Investments	9	43	43
Current assets			
Debtors	11	8,700	8,689
Creditors: amounts falling due within one year	12	(700)	(662)
Net current assets		8,000	8,027
Total assets less current liabilities		8,043	8,070
Creditors: amounts falling due after more than one year	13	(5,122)	(4,824)
Net assets		2,921	3,246
Capital and reserves			
Called up share capital	16	400	400
Share premium account	17	3,620	3,620
Profit and loss account	17	(1,099)	(774)
Shareholders' funds	18	2,921	3,246

The financial statements on pages 10 to 29 were approved by the Board of Directors on 25 September 2008 and were signed on its behalf by



N R Hateley
Director

Poundland Holdings Limited

Group cash flow statement

52 weeks ended 30 March 2008 (52 weeks ended 1 April 2007)

	<i>Note</i>	2008 £'000	2007 £'000
Net cash inflow from operating activities	21	17,255	4,040
Returns on investment and servicing of finance	22	(3,494)	(3,657)
Taxation		(1,192)	148
Capital expenditure and financial investment	22	(7,114)	(3,622)
Net cash inflow / (outflow) before financing		5,455	(3,091)
Financing	22	-	(1,000)
Increase / (decrease) in cash in the period		5,455	(4,091)

Reconciliation of net cash flow to movement in net debt

52 weeks ended 30 March 2008 (52 weeks ended 1 April 2007)

		2008 £'000	2007 £'000
Increase / (decrease) in cash in the period		5,455	(4,091)
Cash outflow from decrease in debt		-	1,000
Change in net debt resulting from cash flows		5,455	(3,091)
Non cash movements		(401)	(586)
Movement in net debt in the period		5,054	(3,677)
Net debt at start of the period		(39,392)	(35,715)
Net debt at the end of the period	22	(34,338)	(39,392)

Poundland Holdings Limited

Statement of total recognised gains and losses for the period ended 30 March 2008

	<i>Note</i>	2008 £'000	2007 £'000
Profit/ (loss) for the financial year	17	1,866	(1,220)
Total recognised gains / (losses) relating to the period		1,866	(1,220)
Prior year adjustment (as explained in note 1)		-	(32)
Total gain / (loss) recognised since last annual report		1,866	(1,252)

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

Basis of consolidation

The group financial statements consolidate the results of the company and its subsidiary undertakings at 30 March 2008, 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 230(a) of the Companies Act 1985. The company loss was £353,000 for the period (2007 £332,000)

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.

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

The maximum useful economic life for short leasehold properties is 35 years.

Poundland Holdings Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

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.

Finance leases and hire purchase contracts

Assets acquired under finance leases and similar hire purchase contracts are recorded in the balance sheet as tangible fixed assets and are depreciated over their estimated useful economic lives or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors as obligations under finance leases. Rentals payable are apportioned between the finance element which is charged to the profit and loss account, and the capital element which reduces the outstanding obligations for future instalments.

Operating leases

All other leases are 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.

The adoption of FRS 20 in the prior year resulted in a decrease in profit before taxation of £32,000. There was no impact on the net assets at 1 April 2007, as the profit and loss account reserve was increased by £32,000 due to the reversal of the profit and loss charge.

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 2008 £'000	52 weeks 2007 £'000
Operating profit is stated after charging		
Depreciation and other amounts written off tangible fixed assets		
Owned	5,710	5,521
Loss on disposal of fixed assets	49	114
Amortisation of goodwill	1,960	1,960
Payments under operating leases		
Hire of plant and equipment	2,322	2,135
Other	22,534	21,348
Exceptional item	(370)	616

The operating exceptional item relates to compensation for early termination of a stores lease of £500,000 less the disposal costs of £41,000 and loss on disposal of fixed assets of £89,000. The prior year operating exceptional item principally related to management reorganisation costs of £1,116,000 less compensation for early termination of a store lease of £500,000.

Auditors' remuneration

	52 weeks 2008 £'000	52 weeks 2007 £'000
Audit of these financial statements	4	4
Amounts receivable by the auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	39	38
Other services, including taxation	40	57

3 Directors' remuneration

	52 weeks 2008 £'000	52 weeks 2007 £'000
Directors' emoluments	857	276
Compensation for loss of office	-	316
Company contribution to defined contribution pension scheme	78	57
	935	649

Highest paid director

Director's emolument	553	305
Company contribution to defined contribution pension scheme	51	9
	604	314

Director's emoluments paid in 2008, included compensation of £Nil for loss of office (2007 £216,000). Two directors (2007 two) were members of defined contribution pension schemes.

Poundland Holdings Limited

Notes to the financial statements (continued)

4 Staff numbers and costs

2008 Number	2007 Number
----------------	----------------

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows

Administration	205	193
Selling and distribution	4,458	4,347
	<hr/> 4,663	<hr/> 4,540

52 weeks 2008 £'000	52 weeks 2007 £'000
---------------------------	---------------------------

The aggregate payroll costs of these persons were as follows

Wages and salaries	49,442	45,816
Share based payments	28	26
Social security costs	3,226	3,003
Other pension costs	500	386
	<hr/> 53,196	<hr/> 49,231

5 Net interest payable

52 weeks 2008 £'000	52 weeks 2007 £'000
---------------------------	---------------------------

Interest payable

On bank loans	(3,297)	(3,719)
On deferred consideration	(298)	(282)
On Advent Loan notes	(256)	-
	<hr/> (3,851)	<hr/> (4,001)

Interest receivable

60	61
<hr/> (3,791)	<hr/> (3,940)

Poundland Holdings Limited

Notes to the financial statements (continued)

6 Taxation on ordinary activities	52 weeks 2008 £'000	52 weeks 2007 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	2,566	1,143
Adjustments in respect of prior periods	56	(313)
	<hr/>	<hr/>
Total current tax	2,622	830
<i>Deferred tax (see note 15)</i>		
Origination of timing differences	(39)	(115)
Adjustments in respect of prior periods	(212)	130
	<hr/>	<hr/>
	(251)	15
	<hr/>	<hr/>
Tax on profit/ (loss) on ordinary activities	2,371	845
	<hr/>	<hr/>

Factors affecting the current tax charge for the period

	52 weeks 2008 £'000	52 weeks 2007 £'000
The current tax charge for the period is higher (2007 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below		
<i>Current tax reconciliation</i>		
Profit/ (loss) on ordinary activities before taxation	4,237	(375)
	<hr/>	<hr/>
Current tax at 30%	1,271	(113)
<i>Effects of</i>		
Goodwill amortisation	589	590
Expenses not deductible for tax purposes	210	551
Capital allowances for period in excess of depreciation and other timing differences	496	115
Adjustments to tax in respect of prior periods	56	(313)
	<hr/>	<hr/>
Total current tax charge	2,622	830
	<hr/>	<hr/>

Factors affecting future tax charge

A corporation tax change has been substantially enacted at the balance sheet date. The rate applicable to this company has changed from 30% to 28% from 1 April 2008. The deferred tax liability has been calculated at 28% in accordance with FRS 19. Any timing differences which exist at 1 April 2008 will reverse at 28% and because of the uncertainty of when the deferred tax liability will reverse, it is not possible to calculate the full impact of this change.

Poundland Holdings Limited

Notes to the financial statements (continued)

7 Intangible fixed assets

	Goodwill £'000
<i>Cost</i>	
At 2 April 2007 and 30 March 2008	39,222
<i>Amortisation</i>	
At 2 April 2007	9,419
Charge for the period	1,960
At 30 March 2008	11,379
<i>Net book value</i>	
At 30 March 2008	27,843
At 1 April 2007	29,803

8 Tangible fixed assets

	Short leasehold property £'000	Fixtures and fittings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Group					
<i>Cost</i>					
At 2 April 2007	16,235	7,629	13,074	207	37,145
Additions	2,215	2,982	1,917	-	7,114
Disposals	(349)	(225)	(124)	-	(698)
At 30 March 2008	18,101	10,386	14,867	207	43,561
<i>Depreciation</i>					
At 2 April 2007	7,598	4,524	6,776	207	19,105
Charge for the period	2,314	1,225	2,171	-	5,710
Disposals	(255)	(190)	(116)	-	(561)
At 30 March 2008	9,657	5,559	8,831	207	24,254
<i>Net book value</i>					
At 30 March 2008	8,444	4,827	6,036	-	19,307
At 1 April 2007	8,637	3,105	6,298	-	18,040

Poundland Holdings Limited

Notes to the financial statements (continued)

9 Investments

	Company £'000
At 1 April 2007 and at 30 March 2008	43

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	
	2008	2007
	£'000	£'000
Goods purchased for resale	22,791	21,118

11 Debtors

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade debtors	517	174	-	-
Other debtors	53	73	-	-
Amounts owed by group undertakings	-	-	8,690	8,679
Group relief receivable	-	-	10	10
Prepayment and accrued income	9,347	11,437	-	-
	9,917	11,684	8,700	8,689

Poundland Holdings Limited

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank overdraft	-	721	-	-
Trade creditors	14,003	18,222	-	-
Corporation tax	1,568	142	-	-
Amount owed to group undertakings	-	-	49	49
Other taxation and social security	5,153	3,678	651	613
Other creditors	1,674	636	-	-
Accruals and deferred income	11,554	9,021	-	-
	<u>33,952</u>	<u>32,420</u>	<u>700</u>	<u>662</u>

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank loan	30,209	33,862	-	-
Accruals and deferred income	2,379	2,008	-	-
	<u>32,588</u>	<u>35,870</u>	<u>-</u>	<u>-</u>
Loan notes	3,756	-	-	-
Deferred consideration	5,122	4,824	5,122	4,824
	<u>41,466</u>	<u>40,694</u>	<u>5,122</u>	<u>4,824</u>

During the year the existing banking facility with Bank of Scotland was extended until August 2010. The bank loan is secured by a charge on the group's Retail Support Centre, and is repayable by one payment.

The main shareholder invested further funds in the business during the year, which was recorded in the form of loan notes. The interest element of the loan notes rolls up and remains unpaid until repayment of the capital, which is due to be repaid in August 2010.

The deferred consideration is not secured over any assets of the group. It will be settled in one amount on the earlier of either a future refinancing of the business or June 2009. The interest (6%) element of the deferred consideration rolls up and remains unpaid until repayment of the capital.

A full analysis of the net debt movement during the year is contained in note 22.

Poundland Holdings Limited

Notes to the financial statements (continued)

14 Analysis of debt

					Group			Total £'000
	Bank loan £'000	Loan notes £'000	2008 Deferred consideration £'000	Total £'000	Bank loan £'000	Loan notes £'000	2007 Deferred consideration £'000	
Payable								
Between 1 and 2 years	-	-	5,122	5,122	33,862	-	-	33,862
Between 2 and 5 years	30,209	3,756	-	33,965	-	-	4,824	4,824
	<u>30,209</u>	<u>3,756</u>	<u>5,122</u>	<u>39,087</u>	<u>33,862</u>	<u>-</u>	<u>4,824</u>	<u>38,686</u>

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:

	Group £'000	
Deferred tax liability at the beginning of the period		792
Arising in the period		(251)
		<u>541</u>
	2008 £'000	2007 £'000
Accelerated capital allowances	564	743
Other timing differences	(23)	49
	<u>541</u>	<u>792</u>

There is no deferred tax arising in the company (2007 nil)

Poundland Holdings Limited

Notes to the financial statements (continued)

16 Called up share capital

	2008 £'000	2007 £'000
<i>Authorised</i>		
710,540 ordinary shares of 10p each	71	71
3,500,000 'A' ordinary shares of 10p each	350	350
257,584 'C' ordinary shares of 10p each	26	26
	447	447

The 'A' ordinary shares carry a preferential right to return of capital on winding up. The ordinary and 'C' ordinary shares have equal rights to return of capital. All classes of shares carry equal voting rights and all shares constitute one class for the purpose of any dividend distribution.

	2008 £'000	2007 £'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
	400	400

Shared based payments

Nature and extent of share schemes

There are two share option schemes in existence. An Enterprise Management Incentive Plan and an Unapproved share option scheme. The options have a finite life of 10 years, lapsing on the tenth anniversary of the date of grant or if the holder ceases to be an employee. However, they are exercisable at £1 per £0.10p share, subject to the occurrence of a realisation event.

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

	2008 Weighted average exercise price £	2008 Number of options	2007 Weighted average exercise price £	2007 Number of Options
Outstanding at the beginning of the period	1.00	135,696	1.00	231,245
Granted during the period	-	-	1.00	-
Lapsed during the period	1.00	(7,535)	1.00	(95,549)
	1.00	128,161	1.00	135,696

During the year 7,535 share options lapsed, as a result of an employee leaving the business (2007: 95,549). No options were granted during the period under the scheme (2007: Nil). The weighted average remaining contractual life of the options is 5 years (2007: 6 years). The range of exercise prices for the options outstanding at the period end is £1 (2007: £1). No options are exercisable at the end of the period.

Poundland Holdings Limited

Notes to the financial statements (continued)

16 Called up share capital (continued)

No options were granted in the current year. The weighted average fair value of options granted in the prior year was £1.88 per option. The total charge to the profit and loss account in respect of equity settled share based payments was £28,000 (2007: £26,000). This charge was included in administrative expenses.

17 Share premium and reserves

	Profit and loss account £'000	Share premium account £'000	Total £'000
Group			
At 2 April 2007	2,734	3,620	6,354
Profit for the financial period	1,866	-	1,866
Credit in relation to share based payments	28	-	28
At 30 March 2008	4,628	3,620	8,248
Company			
At 2 April 2007	(774)	3,620	2,846
Loss for the financial period	(353)	-	(353)
Credit in relation to share based payments	28	-	28
At 30 March 2008	(1,099)	3,620	2,521

At the end of the period, Poundland Trustees Limited held 51,021 (2007: 51,021) of ordinary shares held in Poundland.

Poundland Holdings Limited

Notes to the financial statements (continued)

18 Reconciliation of movements in shareholders' funds for the 52 weeks ended 30 March 2008 (52 weeks ended 1 April 2007)

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Profit/ (loss) for the financial period	1,866	(1,220)	(353)	(332)
Credit in relation to share based payments	28	26	28	26
Net increase /(reduction) to shareholders' funds	1,894	(1,194)	(325)	(306)
Opening shareholders' funds	6,754	7,948	3,246	3,552
Closing shareholders' funds	8,648	6,754	2,921	3,246

19 Capital commitments

	Group	
	2008 £'000	2007 £'000
Capital commitments for which no provision has been made in the financial statements of the group were as follows		
Contracted	746	225

The company has no capital commitments (2007 £ nil)

20 Operating lease commitments

	Group			
	2008		2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Annual commitments under non-cancellable operating leases for the group are as follows				
Operating leases which expire				
- within one year	287	206	127	116
- in the second to fifth years inclusive	2,892	1,330	2,216	874
- in over five years	22,481	85	19,829	87
	25,660	1,621	22,172	1,077

The company has no annual commitments (2007 £nil) under non-cancellable operating leases

Poundland Holdings Limited

Notes to the financial statements (continued)

21 Reconciliation of operating profit to operating cash flows

	52 weeks 2008 £'000	52 weeks 2007 £'000
Operating profit	8,028	3,565
Depreciation	5,710	5,521
Amortisation of goodwill	1,960	1,960
Loss on disposal of fixed assets	138	114
(Increase) in stocks	(1,673)	(189)
Decrease/ (increase) in debtors	1,876	(4,630)
Increase/ (decrease) in creditors	1,188	(2,327)
Share based payments	28	26
	<hr/>	<hr/>
Net cash inflow from operating activities	17,255	4,040
	<hr/>	<hr/>

22 Analysis of cash flows

	52 weeks 2008 £'000	52 weeks 2007 £'000
Returns on investment and servicing of finance		
Interest received	60	62
Interest paid	(3,554)	(3,719)
Interest element of finance lease payments	-	-
	<hr/>	<hr/>
	(3,494)	(3,657)
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(7,114)	(3,622)
Proceeds on disposal of tangible fixed assets	-	-
	<hr/>	<hr/>
	(7,114)	(3,622)
	<hr/>	<hr/>
Financing		
Receipt of loan notes	3,500	-
Repayment of bank loans and loan notes	(3,500)	(1,000)
	<hr/>	<hr/>
	-	(1,000)
	<hr/>	<hr/>

Poundland Holdings Limited

Notes to the financial statements (continued)

22 Analysis of cash flows (continued)

Analysis of net debt

	At 1 April 2007	Cash flow	Non-cash changes *	At 30 March 2008
	£'000	£'000	£'000	£'000
Cash at bank and in hand	(706)	5,455	-	4,749
Debt due after one year	(38,686)	-	(401)	(39,087)
Total	(39,392)	5,455	(401)	(34,338)

*Net increase in debt due to rolled up interest on loans off-set by amortisation of arrangement fees

23 Transactions with related parties

During the period the group engaged in transactions with the following related parties as defined in 'FRS 8 - Related Party Disclosures'

During the prior year, Poundland Limited paid market rent totalling £253,000 plus VAT to a company in which D P Dodd had an interest D P Dodd resigned as a director on 9 May 2006 There were no amounts outstanding to this company at the prior period end

24 Financial Instruments

The fair value of forward contracts outstanding as at 30 March 2008 is an asset of £68,000 (2007 asset £391,000) 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