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Poundland plc
(formerly The ISE Group plc)

Annual Report and Accounts
2001



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Poundland plc
(formerly The ISE Group plc)

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Registered number 2495645

Poundland plc
(formerly The ISE Group plc)

Group overview

I am pleased to report a year of record sales and profits.

Business description

The group operates as a retailer of a wide variety of merchandise, trading principally under the 'Poundland' banner. All items of merchandise have a selling price of £1.

Results

Turnover, net of VAT, for the year was £138.7 million, 19.3% up on the comparative figure from the previous year. This increase has arisen from a 6.0% increase in sales from like for like stores, and from the impact of new stores opened during the year and the full year effect of new stores opened during last year.

The gross profit earned during the year has increased to 34.3% of turnover (2000: 33.3%), as our new distribution centre, which we occupied in September 2000, has allowed us to manage our mix of products in a much more satisfactory manner.

Operating costs have risen by 15.6%, mainly as a result of the increasing size of the business. However, considerable efficiencies have been gained in our new distribution centre allowing us to reduce our operating costs as a percentage of turnover to 32.0% (2000: 33.0%)

As a consequence of the above, operating profit increased to £3,212,000 (2000: £248,000 before exceptional items.) This is a record profit for the group.

New stores

The growth in the number of stores continued during 2001. 14 new stores were opened during the year in varying locations across England and Wales. Three stores were closed. Of these, one was relocated to a new store in the same town; one was incorporated into another store nearby; and one was occupied on only a short-term licence. At the end of the year we traded from 73 stores, located throughout England and Wales.

Finances

During the period the group generated cash of £3.3 million from operating activities. This was used to fund capital expenditure of £2.8 million, mainly on new stores, and an interest charge of £0.5 million. As a consequence, net funds at the year-end, of £1.1 million, were the same as at the end of last year.

The group has an overall facility with Barclays Bank plc, which provides adequate headroom for the group's current anticipated requirements.

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

Poundland plc
(formerly The ISE Group plc)

Group overview (continued)

Directors and staff

The top management team continues to be strengthened with the appointment during the year of Nigel Peckham as Retail Operations Director, who joins us with considerable experience in multi-site retailing gained in a number of other businesses considerably larger than our own.

Since the year-end Peter Baker has resigned from the Board for personal reasons. We thank him for his contribution during his time with us.

I would personally like to thank all of our staff for their commitment and hard work during the year and their contribution to achieving these results.

Outlook

The performance of the group in the first 10 weeks of 2002 has been encouraging, which leads us to look forward to the future with confidence.



Steve Smith
Managing Director

20 March 2002

Poundland plc
(formerly The ISE Group plc)

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 December 2001.

Principal activity and business review

The principal activity of the group is that of homeware and toy retailers. The group overview on pages 1 to 2 gives a full review of the business for the period.

Change of Name

On the 4 June 2001, the company changed its name from The ISE Group plc to Poundland plc.

Results and dividends

The results for the period are set out in the group profit and loss account on page 7.

The directors do not recommend the payment of a dividend (2000: £Nil). The retained profit for the period has been added to reserves.

Directors and their interests

The directors of the company at the end of the period and their interests in the share capital of the company were as follows:

	Ordinary shares	
	30 December 2001	31 December 2000
S K Smith	24,500	24,500
D P Dodd	Nil	Nil
G Oldridge	Nil	Nil
R F Adams	Nil	Nil
P G Baker (resigned 25 February 2002)	Nil	Nil
N M Peckham (appointed 1 October 2001)	Nil	Nil

D P Dodd has options over 7,500 of the existing ordinary £1 shares of the company.

Other than noted above, there have been no changes in the directors or their interests since the period end.

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 plc
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Directors' report (continued)

Supplier payment policy

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.

Company trade creditors, expressed as the number of days of purchases, represented 35 days (2000: 43 days) at the period end.

Auditors

KPMG have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the board,



Mrs T Smith
Secretary

Wellmans Road
Willenhall
West Midlands
WV13 2QT

20 March 2002

Poundland plc
(formerly The ISE Group plc)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Poundland plc
(formerly The ISE Group plc)

Independent Auditor's report to the Members of Poundland plc

We have audited the financial statements on pages 7 to 22.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 December 2001 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

LPML

KPMG
Chartered Accountants
Registered Auditors

2 Cornwall Street
BIRMINGHAM
B3 2DL

20 March 2002

Poundland plc
(formerly The ISE Group plc)

Group profit and loss account

For the 52 weeks ended 30 December 2001

		52 weeks ended 30 December 2001 £'000	Year ended 31 December 2000 Before exceptional items £'000	Exceptional items (Note 6) £'000	Total £'000
	Note				
Turnover	2	138,742	116,313	-	116,313
Cost of sales		(91,120)	(77,639)	-	(77,639)
Gross profit		47,622	38,674	-	38,674
Distribution costs		(37,102)	(30,333)	(574)	(30,907)
Administrative expenses		(7,308)	(8,093)	(122)	(8,215)
Operating profit/(loss)	3	3,212	248	(696)	(448)
Loss on disposal of fixed assets		-	-	(766)	(766)
Profit/(loss) before interest and tax		3,212	248	(1,462)	(1,214)
Net interest payable	7	(451)	(303)	-	(303)
Profit/(loss) on ordinary activities before taxation		2,761	(55)	(1,462)	(1,517)
Taxation on profit/(loss) on ordinary activities	8	(1,138)	(8)	181	173
Profit/(loss) on ordinary activities after taxation		1,623	(63)	(1,281)	(1,344)
Minority interests		20	13	-	13
Retained profit/(loss) for the financial period/year		1,643	(50)	(1,281)	(1,331)

Group statement of total recognised gains and losses

for the 52 weeks ended 30 December 2001

Profit/(loss) for the financial period/year.	1,643	(1,331)
Currency translation differences on foreign currency net investments	1	15
Total gains and losses relating to the financial period/year.	1,644	(1,316)

The notes on pages 11 to 22 form part of these financial statements.

Poundland plc
(formerly The ISE Group plc)

Group balance sheet

	<i>Note</i>	As at 30 December 2001 £'000	As at 31 December 2000 £'000
Fixed assets			
Tangible assets	9	9,522	9,006
Current assets			
Stocks	11	9,730	9,619
Debtors	12	3,891	3,328
Cash at bank and in hand		2,341	2,683
		15,962	15,630
Creditors: amounts falling due within one year	13	(17,111)	(18,023)
Net current liabilities		(1,149)	(2,393)
Total assets less current liabilities		8,373	6,613
Creditors: amounts falling due after more than one year	14	(1,528)	(1,464)
Provisions for liabilities and charges	15	(237)	(165)
Net assets		6,608	4,984
Capital and reserves			
Called up share capital	16	13	13
Profit and loss account	17	6,624	4,980
Equity shareholders' funds	18	6,637	4,993
Minority interests	19	(29)	(9)
		6,608	4,984

The financial statements on pages 7 to 22 were approved by the Board of Directors on 20 March 2002 and signed on its behalf by:-

S K Smith
Director

The notes of pages 11 to 22 form part of these financial statements.

Poundland plc
(formerly The ISE Group plc)

Company balance sheet

	<i>Note</i>	As at 30 December 2001 £'000	As at 31 December 2000 £'000
Fixed assets			
Tangible assets	9	9,622	9,047
Investments	10	-	-
		<hr/>	<hr/>
		9,622	9,047
		<hr/>	<hr/>
Current assets			
Stocks	11	9,730	9,614
Debtors	12	4,018	3,381
Cash at bank and in hand		2,308	2,618
		<hr/>	<hr/>
		16,056	15,613
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	(17,190)	(18,109)
		<hr/>	<hr/>
Net current liabilities		(1,134)	(2,496)
		<hr/>	<hr/>
Total assets less current liabilities		8,488	6,551
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	14	(1,609)	(1,544)
		<hr/>	<hr/>
Provisions for liabilities and charges	15	(237)	(165)
		<hr/>	<hr/>
Net assets		6,642	4,842
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	13	13
Profit and loss account	17	6,629	4,829
		<hr/>	<hr/>
Equity shareholders' funds	18	6,642	4,842
		<hr/>	<hr/>

The parent company made a profit of £1,800,000 for the period (2000: loss of £1,182,000).

The financial statements on pages 7 to 22 were approved by the Board of Directors on 20 March 2002 and signed on its behalf by:-

S K Smith
Director



The notes of pages 11 to 22 form part of these financial statements.

Poundland plc
(formerly The ISE Group plc)

Group cash flow statement

for the 52 weeks ended 30 December 2001

	<i>Note</i>	52 weeks ended 30 December 2001 £'000	Year ended 31 December 2000 £'000
Net cash inflow from operating activities	22	3,337	5,150
Returns on investments and servicing of finance	23	(538)	(303)
Taxation		-	(535)
Capital expenditure	23	(2,826)	(3,182)
Net cash (outflow)/inflow before financing		(27)	1,130
Financing	23	(315)	(71)
(Decrease)/increase in cash in the period		(342)	1,059

**Reconciliation of net cash flow
to movement in net funds**

for the 52 weeks ended 30 December 2001

(Decrease)/increase in cash in the period		(342)	1,059
Cash repaying mortgage		23	30
Cash outflow/(inflow) from decrease/(increase) in finance leases		292	(1,326)
Change in net funds resulting from cash flows		(27)	(237)
Net funds at 31 December 2000		1,116	1,353
Net funds at 30 December 2001	24	1,089	1,116

The notes on pages 11 to 22 form part of these financial statements.

Poundland plc
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Notes to the financial statements
for the 52 weeks ended 30 December 2001

1 Principal accounting policies

The financial statements for the group and company have been prepared in accordance with all applicable accounting standards, which have been applied on a consistent basis to the previous year. The most significant accounting policies are described below:-

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary undertakings made up to 30 December 2001. Subsidiary undertakings acquired are accounted for using the acquisition accounting methods.

Goodwill

Goodwill arising on consolidation represents the excess of the value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is amortised on a straight line basis over its estimated useful life.

Purchased goodwill arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 Goodwill and intangible assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs, related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Investments

Shares in subsidiary undertakings are stated at cost or valuation less amounts written off where in the opinion of the directors there has been a diminution in the value of the investment.

Turnover

Turnover, which excludes value added tax and sales between group companies, represents the invoiced value of goods and services supplied.

Fixed assets and depreciation

The cost of fixed assets is their 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:

Freehold land and buildings	2%
Short leasehold property	Over the term of the lease
Property improvements	10%-15%
Plant and equipment	15%-33%
Motor vehicles	25%
Fixtures and fittings	15%

The maximum depreciation period for short leasehold properties is 35 years.

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 taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

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

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 lives or the terms of the leases, whichever is the 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 lives of the leases.

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 group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

	52 weeks ended 30 December 2001 £'000	Year ended 31 December 2000 £'000
2 Turnover		
(a) By geographical market:		
United Kingdom	138,742	116,313
Rest of the world	-	-
	<hr/> 138,742 <hr/>	<hr/> 116,313 <hr/>
(b) By activity:		
Homeware and toy retailing	138,639	116,043
Sale of computer equipment and computer programs	103	270
	<hr/> 138,742 <hr/>	<hr/> 116,313 <hr/>

Poundland plc
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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

	52 weeks ended 30 December 2001 £'000	Year ended 31 December 2000 £'000
3 Operating profit/(loss)		
Operating profit/(loss) is stated after charging:		
Auditors' remuneration:		
Audit work	30	30
Non-audit work	19	22
Payments under operating leases:		
Hire of plant and equipment	731	719
Other	7,954	5,683
Depreciation	2,303	1,997
	<hr/>	<hr/>
4 Directors' remuneration		
Aggregate		
Directors' emoluments	685	386
Company contributions to defined contribution pension schemes	82	50
	<hr/>	<hr/>
	767	436
	<hr/>	<hr/>
Highest paid director		
Director's emoluments	210	120
Company contributions to defined contribution pension scheme	18	19
	<hr/>	<hr/>
	228	139
	<hr/>	<hr/>
Six directors (2000: three) were members of defined contribution pension schemes.		
5 Employee information		
The average number of persons (including directors) employed by the Group during the period, analysed by category, was as follows:	Number	Number
Administration	110	117
Selling and distribution	2,352	1,993
	<hr/>	<hr/>
	2,462	2,110
	<hr/>	<hr/>
The aggregate payroll costs of these persons were as follows:	£'000	£'000
Wages and salaries	20,589	17,826
Social security costs	1,448	1,152
Other pension costs	225	191
	<hr/>	<hr/>
	22,262	19,169
	<hr/>	<hr/>

Poundland plc
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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

6 Exceptional items

The exceptional costs incurred in 2000 relate to relocating the distribution centre and head office of the company into a new purpose-built facility.

	52 weeks ended 30 December 2001 £'000	Year ended 31 December 2000 £'000
7 Net interest payable		
Interest payable		
on bank loans and overdrafts	408	312
on finance leases	49	6
	<hr/>	<hr/>
	457	318
Interest receivable	(6)	(15)
	<hr/>	<hr/>
	451	303
	<hr/>	<hr/>
8 Taxation on profit/(loss) on ordinary activities		
UK corporation tax at 30% (2000: 30%) on the profit for the period	(1,066)	-
Deferred taxation movement in respect of		
current year	(22)	168
prior years	(50)	5
	<hr/>	<hr/>
	(1,138)	173
	<hr/>	<hr/>

Poundland plc
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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

9 Tangible fixed assets	Freehold land and buildings £'000	Short leasehold property £'000	Fixtures and fittings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Group						
<i>Cost</i>						
At 31 December 2000	493	3,919	4,454	4,824	1,201	14,891
Additions	-	912	1,432	511	8	2,863
Disposals	-	(46)	(26)	(87)	(34)	(193)
At 30 December 2001	493	4,785	5,860	5,248	1,175	17,561
<i>Depreciation</i>						
At 31 December 2000	10	844	2,116	2,301	614	5,885
Charge for the period	9	631	644	778	241	2,303
Disposals	-	(30)	(16)	(69)	(34)	(149)
At 30 December 2001	19	1,445	2,744	3,010	821	8,039
<i>Net book value</i>						
At 30 December 2001	474	3,340	3,116	2,238	354	9,522
At 31 December 2000	483	3,075	2,338	2,523	587	9,006
Company						
<i>Cost</i>						
At 31 December 2000	493	3,914	4,454	4,810	1,201	14,872
Additions	-	912	1,432	545	38	2,927
Disposals	-	(41)	(26)	(57)	(34)	(158)
At 30 December 2001	493	4,785	5,860	5,298	1,205	17,641
<i>Depreciation</i>						
At 31 December 2000	10	840	2,116	2,245	614	5,825
Charge for the period	9	631	644	766	259	2,309
Disposals	-	(26)	(16)	(39)	(34)	(115)
At 30 December 2001	19	1,445	2,744	2,972	839	8,019
<i>Net book value</i>						
At 30 December 2001	474	3,340	3,116	2,326	366	9,622
At 31 December 2000	483	3,074	2,338	2,565	587	9,047

Poundland plc
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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

9 Tangible fixed assets (continued)

The net book value of plant and equipment of the group and company includes an amount of £1,061,000 (2000: £1,335,000) in respect of assets held under finance leases. Depreciation charged during the period in respect of these assets amounted to £274,000 (2000: £37,000).

The net book value of motor vehicles of the group includes an amount of £12,000 (2000: £15,000) in respect of assets held under finance leases. Depreciation charged during the period in respect of these assets amounted to £3,000 (2000: £7,000).

10 Investments	As at 30 December 2001 £000	As at 31 December 2000 £000
Company		
Shares in subsidiary undertakings, at cost	168	168
Less: impairment provision	(168)	(168)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

	Principal activity	Country of incorporation	Proportion of ordinary shares held
The company's subsidiary undertakings are:			
M & O Business Systems Limited	Sale of computer equipment and computer programs	England	75%
Bargain Limited	Dormant	England	100%
Homes & More Limited	Dormant	England	100%
ISE Far East Limited	Dormant	Hong Kong	100%
Poundland Stores Limited (formerly Poundland Limited)	Dormant	England	100%
Poundland International Limited	Dormant	England	100%
Sheptonview Limited	Dormant	England	100%

	Group		Company	
	As at 30 December 2001 £'000	As at 31 December 2000 £'000	As at 30 December 2001 £'000	As at 31 December 2000 £'000
11 Stocks				
Goods purchased for resale	9,730	9,619	9,730	9,614
	<hr/>	<hr/>	<hr/>	<hr/>

	Group		Company	
	As at 30 December 2001 £'000	As at 31 December 2000 £'000	As at 30 December 2001 £'000	As at 31 December 2000 £'000
12 Debtors				
Trade debtors	151	424	151	403
Other debtors	29	59	24	41
Amounts owed by group undertakings	-	-	132	92
Prepayments and accrued income	3,711	2,845	3,711	2,845
	<hr/>	<hr/>	<hr/>	<hr/>
	3,891	3,328	4,018	3,381
	<hr/>	<hr/>	<hr/>	<hr/>

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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

	Group		Company	
	As at 30 December 2001 £'000	As at 31 December 2000 £'000	As at 30 December 2001 £'000	As at 31 December 2000 £'000
13 Creditors: amounts falling due within one year				
Bank loan	23	23	23	23
Obligations under finance leases	283	292	283	282
Trade creditors	10,055	12,816	10,055	12,797
Corporation tax	1,048	(17)	1,048	(17)
Other taxation and social security	2,077	1,569	2,070	1,554
Other creditors	934	1,015	917	989
Amounts owed to group undertakings	-	-	106	159
Accruals and deferred income	2,691	2,325	2,688	2,322
	<u>17,111</u>	<u>18,023</u>	<u>17,190</u>	<u>18,109</u>
14 Creditors: amounts falling due after more than one year				
Bank loan	175	198	175	198
Obligations under finance leases	771	1,054	771	1,053
Amounts owed to group undertakings	-	-	81	81
Accruals and deferred income	582	212	582	212
	<u>1,528</u>	<u>1,464</u>	<u>1,609</u>	<u>1,544</u>

The bank loan is secured by a charge on the group's freehold land and buildings.

	As at 30 December 2001 Loans £'000	As at 30 December 2001 Finance leases £'000	As at 31 December 2000 Loans £'000	As at 31 December 2000 Finance leases £'000
<i>Analysis of borrowings</i>				
Group				
Amounts payable within 1 year	23	283	23	292
Between 1 and 2 years	23	282	23	283
Between 2 and 5 years	152	489	175	771
	<u>198</u>	<u>1,054</u>	<u>221</u>	<u>1,346</u>
Company				
Amounts payable within 1 year	23	283	23	282
Between 1 and 2 years	23	282	23	282
Between 2 and 5 years	152	489	175	771
	<u>198</u>	<u>1,054</u>	<u>221</u>	<u>1,335</u>

Poundland plc
(formerly The ISE Group plc)

Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

15 Provisions for liabilities and charges

Deferred taxation

Full provision 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	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 31 December 2000	205	(40)	165
Charge to profit and loss account	74	(2)	72
	<hr/>	<hr/>	<hr/>
At 30 December 2001	279	(42)	237
	<hr/>	<hr/>	<hr/>
Company			
At 31 December 2000	205	(40)	165
Charge to profit and loss account	74	(2)	72
	<hr/>	<hr/>	<hr/>
At 30 December 2001	279	(42)	237
	<hr/>	<hr/>	<hr/>

	As at 30 December 2001 £	As at 31 December 2000 £
16 Called up share capital		
<i>Authorised</i>		
500,000 ordinary shares of £1 each	500,000	500,000
	<hr/>	<hr/>
<i>Allotted and issued</i>		
100 ordinary shares of £1 each, fully paid	100	100
49,900 ordinary shares of £1 each, partly paid	12,475	12,475
	<hr/>	<hr/>
	12,575	12,575
	<hr/>	<hr/>

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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

17 Reserves	Profit and loss account	
	Group £'000	Company £'000
At 31 December 2000	4,980	4,829
Retained profit for the financial period	1,643	1,800
Exchange difference	1	-
	<hr/>	<hr/>
At 30 December 2001	6,624	6,629
	<hr/>	<hr/>

The cumulative amount of goodwill written off to reserves is £73,000 (2000: £73,000).

18 Reconciliation of movements in shareholders' funds	Group		Company	
	As at 30 December 2001 £'000	As at 31 December 2000 £'000	As at 30 December 2001 £'000	As at 31 December 2000 £'000
Profit/(loss) for the financial period	1,643	(1,331)	1,800	(1,182)
Other recognised gains and losses	1	15	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase/(reduction) in shareholders' funds	1,644	(1,316)	1,800	(1,182)
Opening shareholders' funds	4,993	6,309	4,842	6,024
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	6,637	4,993	6,642	4,842
	<hr/>	<hr/>	<hr/>	<hr/>

19 Minority interest		
	As at 30 December 2001 £'000	As at 31 December 2000 £'000
Group		
At 31 December 2000	(9)	4
Retained loss for the period	(20)	(13)
	<hr/>	<hr/>
At 30 December 2001	(29)	(9)
	<hr/>	<hr/>

All minority interests are attributable to equity interests.

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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

20 Operating lease commitments

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

Group	Land and buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Operating leases which expire:				
- within one year	129	-	162	81
- between two and five years inclusive	773	561	350	595
- in over five years	7,398	5,237	-	-
	<u>8,300</u>	<u>5,798</u>	<u>512</u>	<u>676</u>
 Company				
Operating leases which expire:				
- within one year	129	-	162	66
- between two and five years inclusive	773	561	350	595
- in over five years	7,398	5,237	-	-
	<u>8,300</u>	<u>5,798</u>	<u>512</u>	<u>661</u>

21 Capital commitments

Capital commitments for which no provision has been made in the accounts of the company and group were as follows.

	2001 £'000	2000 £'000
Contracted	<u>316</u>	<u>-</u>

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Notes to the financial statements (continued)
for the 52 weeks ended 30 December 2001

	52 weeks ended 30 December 2001 £'000	Year ended 31 December 2000 £'000	
22 Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit before exceptional items	3,212	248	
Cash impact of exceptional items	-	(580)	
Loss on disposal of fixed assets	7	-	
Depreciation	2,303	1,997	
Increase in stocks	(111)	(2,210)	
Increase in debtors	(563)	(41)	
(Decrease)/increase in creditors	(1,511)	5,736	
	<hr/>	<hr/>	
Net cash inflow from operating activities	3,337	5,150	
	<hr/>	<hr/>	
23 Gross cash flows			
Returns on investment and servicing of finance			
Interest received	6	15	
Interest paid	(495)	(312)	
Interest element of finance lease payments	(49)	(6)	
	<hr/>	<hr/>	
	(538)	(303)	
	<hr/>	<hr/>	
Capital expenditure			
Payments to acquire tangible fixed assets	(2,863)	(3,263)	
Proceeds on disposal of tangible fixed assets	37	81	
	<hr/>	<hr/>	
	(2,826)	(3,182)	
	<hr/>	<hr/>	
Financing			
Mortgage payments	(23)	(30)	
Capital element of finance lease payments	(292)	(41)	
	<hr/>	<hr/>	
	(315)	(71)	
	<hr/>	<hr/>	
	At 31 December 2000 £'000	Cash flows £'000	
24 Analysis of changes in net funds		At 30 December 2001 £'000	
Cash at bank and in hand	2,683	(342)	2,341
Bank loan	(221)	23	(198)
Finance leases	(1,346)	292	(1,054)
	<hr/>	<hr/>	<hr/>
	1,116	(27)	1,089
	<hr/>	<hr/>	<hr/>

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25 Transactions with related parties

During the year the group engaged in transactions with the following related parties as defined in 'FRS 8 – Related party disclosures'.

The company paid market rent totalling £58,561 plus VAT during the year (2000: £Nil) to a company controlled by S K Smith, D P Dodd and K Smith. At 30 December 2001 an amount of £22,500 was included in prepayments.

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Five year trading summary

	2001	2000	1999	1998	1997
Turnover					
£'000	138,742	116,313	101,155	79,449	65,882
Year on year increase %	19.3%	15.0%	27.3%	20.6%	16.4%
Gross profit					
£'000	47,622	38,674	35,087	26,608	21,269
% of turnover	34.3%	33.3%	34.7%	33.5%	32.3%
Operating profit, before exceptional items					
£'000	3,212	248	2,546	2,700	2,311
Net assets					
£'000	6,608	4,984	6,313	4,749	3,093
Number of stores trading at period end	73	62	55	49	44