

KPMG Peat Marwick

Poundland Plc

Directors' report and financial statements

for the year ended 31 December 1993

Registered number 2495645



Poundland Plc

Directors' report and financial statements

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Registered number: 2495645

Poundland Plc

Company overview

The end of 1993 saw the conclusion of our third year of trading. During this year our business demonstrated a fundamental trading strength amidst an economy which remained in recession. This strength is demonstrated by a series of statistical indicators.

- Stores trading throughout both 1992 and 1993 have shown an average year on year growth of 33%.
- Total turnover has grown from £6,190,235 in 1992 to £11,598,614 in 1993 providing an annual increase of 87.3%.
- Pre-tax profit has grown from £227,541 in 1992 to £507,957 in 1993 producing an annual increase of 123.2%.
- Net assets have grown by £247,932 to £466,433 in 1993 representing an annual increase of 113.5%.

Our success is the product of a refined retailing formula which features unbelievable value for money, offered in a quality environment and located in prime retailing positions.

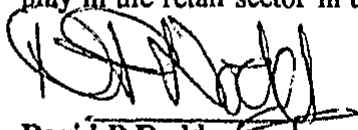
From inception, our retailing activities have been supported by sophisticated financial, distribution and stock control systems combined with quality recruitment and the progressive training of personnel.

In an expanding business, tight control of cash has been and remains a key objective. The strong cash generating capabilities of our business strengthens our balance sheet year by year. In particular, the substantial investment in fixed assets of £721,967 necessitated by the store opening programme has been completely met from the net cash inflow from operating activities of £937,584 generated during this year. Further, our total funding charges are covered by operating profit by more than ten times.

For us this strong cash generation is a significant measure of our financial strength.

In Poundland's formative years we have invested heavily in its management infrastructure and in 1993 we began to reap the rewards of that investment. We believe that investment will make an increasing contribution to the success of our business during the years to come.

We are confident of Poundland's durability and we believe that it has a meaningful role to play in the retail sector in the 1990s and beyond.



David P Dodd
Retail Operations and Property Director

Poundland Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1993.

Principal activity and business review

The principal activity of the company was that of homeware and toy retailers. On 31 July 1993 the subsidiary undertaking, Poundworld Limited, ceased to trade and the assets and liabilities were transferred to Poundland Plc.

Change of name

With effect from 7 April 1994 the company re-registered as a public company and changed its name to Poundland Plc.

The company had previously changed its name by special resolution to Poundland Limited, formerly Pound Land Limited, with effect from 24 May 1993.

Changes in share capital

On 13 December 1993 49,900 £1 shares were issued as a bonus issue from profit and loss reserves as 25p partly paid share capital.

Dividends

The directors do not recommend the payment of a dividend (1992: £Nil). All retained profits are transferred to reserves.

Significant changes in fixed assets

The movements in fixed assets during the period are shown in note 8 to the financial statements.

Directors and directors' interests

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31 December 1993	31 December 1992
	Ordinary shares	Ordinary shares
SK Smith	24,500	49
DP Dodd	Nil	Nil

Poundland Plc

Directors' report (*continued*)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss 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 a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the 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 company and group and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

Mrs T Smith
Secretary



Units 3/4
Maple Leaf Industrial Estate
Bloxwich Lane
Walsall
WS2 8TF

15 April 1994

Report of the auditors to the members of Poundland Plc

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 mis-statement, 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 of the group as at 31 December 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

15 April 1994

Poundland Plc

Consolidated profit and loss account for the year ended 31 December 1993

	Note	Continuing operations	
		1993	1992
		£	£
Turnover			
Cost of sales	2	11,598,614	6,190,235
		(8,108,554)	(4,223,333)
Gross profit		<u>3,490,060</u>	<u>1,966,902</u>
Administrative expenses		(2,920,661)	(1,683,598)
Operating profit	3	569,399	283,304
Interest receivable		4,409	6,396
Interest payable	6	(65,851)	(52,159)
Profit on ordinary activities before taxation		<u>507,957</u>	<u>237,541</u>
Taxation	7	(260,025)	(54,564)
Retained profit for the year	16	<u>247,932</u>	<u>182,977</u>

The notes on pages 9 to 18 form part of the financial statements.

Movements on reserves are shown in note 16.

Statement of total recognised gains and losses

There is no difference between the reported profit and the total recognised profit in either the current or preceding financial year for both the group and the company.

The reconciliation of movements in shareholders' funds is shown in note 17.

Historical cost profits

There is no difference between the profit as disclosed in the profit and loss account and the profit on an unmodified historical cost basis.

Poundland Plc

Consolidated balance sheet at 31 December 1993

	Note	1993 £	£	1992 £	£
Fixed assets					
Tangible assets	8		1,098,218		487,608
Current assets					
Stocks	10	948,310		515,742	
Debtors	11	339,022		294,705	
Cash at bank and in hand		525,366		351,410	
		<u>1,812,698</u>		<u>1,161,857</u>	
Creditors: amounts falling due within one year	12	<u>(1,973,422)</u>		<u>(1,084,903)</u>	
Net current (liabilities)/assets			<u>(160,724)</u>		<u>76,954</u>
Total assets less current liabilities			927,494		564,562
Creditors: amounts falling due after more than one year	13	(346,051)		(346,051)	
Provisions for liabilities and charges	14	<u>(115,000)</u>		<u>-</u>	
			<u>(461,051)</u>		<u>(346,051)</u>
Total assets less liabilities			<u>466,443</u>		<u>218,511</u>
Capital and reserves					
Called up share capital	15		12,575		100
Profit and loss account	16		453,868		218,411
			<u>466,443</u>		<u>218,511</u>

These financial statements were approved by the board of directors on 15 April 1994.

SK Smith
Director

Poundland Plc

Company balance sheet at 31 December 1993

	Note	1993 £	1992 £
Fixed assets			
Tangible assets	8	1,088,218	481,589
Investments	9	-	100
		<u>1,088,218</u>	<u>481,689</u>
Current assets			
Stocks	10	948,310	437,450
Debtors	11	339,022	468,786
Cash at bank and in hand		525,366	182,574
		<u>1,812,698</u>	<u>1,088,810</u>
Creditors: amounts falling due within one year	12	<u>(1,973,422)</u>	<u>(1,003,062)</u>
Net current (liabilities)/assets		<u>(160,724)</u>	<u>85,748</u>
Total assets less current liabilities		<u>927,494</u>	<u>567,437</u>
Creditors: amounts falling due after more than one year	13	(346,051)	(346,051)
Provisions for liabilities and charges	14	<u>(115,000)</u>	<u>-</u>
		<u>(461,051)</u>	<u>(346,051)</u>
Total assets less liabilities		<u>466,443</u>	<u>221,386</u>
Capital and reserves			
Called up share capital	15	12,575	100
Profit and loss account	16	453,868	221,286
		<u>466,443</u>	<u>221,386</u>

These financial statements were approved by the board of directors on 15 April 1994.

SK Smith
Director

Poundland Plc

Consolidated cashflow statement for the year ended 31 December 1993

		1993	1992
	Note	£	£
Net cash inflow from operating activities	19	937,584	117,483
Returns on investments and servicing of finance			
Interest received		4,409	6,396
Interest paid		(42,386)	(52,159)
Interest element of finance lease payments		(351)	-
Net cash outflow from returns on investments and servicing of finance		(38,328)	(45,762)
Taxation			
Corporation tax paid		-	(1,160)
Investing activities			
Payments to acquire:			
Tangible fixed assets		(455,281)	(167,624)
Net cash outflow from investing activities		(455,281)	(167,624)
Net cash inflow/(outflow) before financing		443,975	(97,064)
Financing			
New loans received		-	6,289
Capital element of finance lease payments		(5,863)	-
Net cash (outflow)/inflow from financing		(5,863)	6,289
Increase/(decrease) in cash and cash equivalents	20	438,112	(90,775)

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Notes

(forming part of 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's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards, and on the basis of the group continuing as a going concern.

Consolidation

The consolidated financial statements incorporate the results of the company and its subsidiary company. In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account of Poundland Plc is not presented as the results of the company are incorporated into the consolidated profit and loss account. The profit of Poundland Plc for the financial year was £245,057 (1992: £221,286).

Turnover

Turnover represents the invoiced amounts of goods sold, excluding VAT.

Fixed assets and depreciation

Depreciation on fixed assets is calculated so as to write off the cost less the estimated residual value of all fixed assets over their estimated useful lives as follows:

Leasehold property	Over the term of the lease
Property improvements	10% straight line
Plant and equipment	15% straight line
Motor vehicles	25% straight line
Fixtures and fittings	15% straight line

All leasehold properties are held on short term leases of between two and thirty five years.

Stocks

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

Deferred taxation

Deferred taxation is provided in respect of material timing differences to the extent that it is probable that such differences will crystallise in the foreseeable future.

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.

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Notes (continued)

1 Principal accounting policies (continued)

Finance leases

Assets acquired under finance leases 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. 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.

2 Turnover

Turnover represents amounts receivable, excluding trade discounts and value added tax, for goods and services supplied in the ordinary course of business, wholly within the UK.

3 Operating profit

Operating profit is stated after charging the following:-

	1993 £	1992 £
After charging		
Auditors' remuneration:-		
Audit work	7,500	7,350
Non audit work:-		
- previous auditors	574	-
- current auditors	2,200	-
Operating leases:		
Hire of plant and machinery	26,560	14,454
Amount written off tangible fixed assets	118,101	58,777
Formation expenses	-	795
	<hr/>	<hr/>

4 Remuneration of directors

	1993 £	1992 £
Directors' emoluments		
Remuneration	58,270	42,800
	<hr/>	<hr/>

The emoluments of the chairman and highest paid director were £31,310.

The emoluments of the directors fell within the following categories:

	Number	Number
£20,001 - £25,000	-	2
£25,001 - £30,000	1	-
£30,001 - £35,000	1	-

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Notes (continued)

5 Staff numbers and costs

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

	1993 Number	1992 Number
Administration	13	10
Selling and distribution	186	104
	<u>199</u>	<u>114</u>

The aggregate payroll costs of these persons were as follows:

	1993 £	1992 £
Wages and salaries	1,163,231	612,807
Social security costs	90,247	49,048
	<u>1,253,478</u>	<u>661,855</u>

6 Interest payable

	1993 £	1992 £
Bank interest	10,287	2,798
Secured loan interest	52,192	49,361
Finance lease interest	351	-
Other interest payable	3,021	-
	<u>65,851</u>	<u>52,159</u>

7 Taxation

	1993 £	1992 £
Corporation tax on profit on ordinary activities at 33 % (1992: 25%)	136,000	54,621
Prior year adjustment	9,025	(57)
Deferred taxation movement:		
- Current year	40,000	-
- Prior year	75,000	-
	<u>260,025</u>	<u>54,564</u>

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Notes (continued)

3	Tangible fixed assets	Motor vehicles	Plant and equipment	Fixtures and fittings	Short leasehold property and improvements	Total
		£	£	£	£	£
	Group					
	Cost					
	At beginning of year	44,300	69,703	317,385	161,898	593,286
	Additions	45,251	287,669	253,627	135,420	721,967
	Disposals	-	-	-	(7,136)	(7,136)
	At end of year	89,551	357,372	571,012	290,182	1,308,117
	Depreciation					
	At beginning of year	3,398	15,075	70,871	16,334	105,678
	Charged in year	19,232	24,560	54,882	19,427	118,101
	Disposals	-	-	-	(3,880)	(3,880)
	At end of year	22,630	39,635	125,753	31,881	219,899
	Net book value					
	At 31 December 1993	66,921	317,737	445,259	258,301	1,088,218
	At 31 December 1992	40,902	54,628	246,514	145,564	487,608

The net book value of assets held under finance leases was £10,833 (1992: £Nil) and the depreciation charged for the year on those assets was £3,221 (1992: £Nil).

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Notes (continued)

8 Tangible fixed assets (continued)

	Motor vehicles	Plant and equipment	Fixtures and fittings	Short leasehold property and improvements	Total
Company Cost	£	£	£	£	£
At beginning of year	44,300	69,703	311,175	161,898	587,076
Additions	45,251	287,669	250,458	135,420	718,798
Intra group additions	-	-	9,379	-	9,379
Disposals	-	-	-	(7,136)	(7,136)
At end of year	89,551	357,372	571,012	290,182	1,308,117
Depreciation					
At beginning of year	3,398	15,075	70,680	16,334	105,487
Intra group additions	-	-	995	-	995
Charged in year	19,232	24,560	54,078	19,427	117,297
Disposals	-	-	-	(3,880)	(3,880)
At end of year	22,630	39,635	125,753	31,881	219,899
Net book value					
At 31 December 1993	66,921	317,737	445,259	258,301	1,088,218
At 31 December 1992	40,902	54,628	240,495	145,564	481,589

The net book value of assets held under finance leases was £10,833 (1992: £nil) and the depreciation charged for the year on those assets was £3,221 (1992: £nil).

9 Fixed asset investments

	1993 £	Company 1992 £
Shares in subsidiary undertaking	100	100
Less: provision against investment	(100)	-
	-	100

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Notes (continued)

9 Fixed asset investments (continued)

The subsidiary undertaking is:

	Nature of business	Percentage of ordinary shares held
Poundworld Limited, a company registered in England and Wales, which ceased to trade on 31 July 1993	Homeware and toy retailer	100%

10 Stocks

	1993 £	Group 1992 £	1993 £	Company 1992 £
Goods purchased for resale	<u>948,310</u>	<u>515,742</u>	<u>948,310</u>	<u>437,450</u>

11 Debtors

	1993 £	Group 1992 £	1993 £	Company 1992 £
Trade debtors	9,154	38,067	9,154	38,067
Amounts owed by group undertakings	-	-	-	188,840
Other debtors	70,000	76,768	70,000	64,125
Prepayments and accrued income	<u>259,868</u>	<u>179,870</u>	<u>259,868</u>	<u>177,754</u>
	<u>339,022</u>	<u>294,705</u>	<u>339,022</u>	<u>468,786</u>

Included in other debtors is £50,000 (1992: £50,000) in respect of the group and the company which relates to a rent deposit which is receivable after more than one year.

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Notes (continued)

12 Creditors: amounts falling due within one year

	1993 £	Group 1992 £	1993 £	Company 1992 £
Bank loans and overdrafts	-	264,156	-	264,156
Trade creditors	1,378,498	511,470	1,378,498	460,606
Other creditors	36,846	16,915	36,846	15,155
Corporation tax	199,646	54,621	199,646	53,811
Other taxation and social security	268,559	177,974	268,559	173,282
Accruals and deferred income	85,681	59,767	85,681	36,052
Finance lease obligations	4,192	-	4,192	-
	<u>1,973,422</u>	<u>1,084,903</u>	<u>1,973,422</u>	<u>1,003,062</u>

Trade creditors include £256,631 (1992: £Nil) in respect of capital creditors.

13 Creditors: amounts falling due after more than one year

	1993 £	1992 £
Group and company		
Secured loan	<u>346,051</u>	<u>346,051</u>

The loan is secured by a fixed charge over the company's assets.

The loan has no fixed terms of repayment. Interest is payable on the loans at 6% (1992: 3%) above base rate.

14 Provisions for liabilities and charges

Full provision has been made under the liability method for taxation deferred by accelerated capital allowances and other timing differences but only in respect of those liabilities which may crystallise in the foreseeable future. The amounts involved are as follows:

	Accelerated capital allowances £	Other timing differences £	Total £
As at 1 January 1993	-	-	-
Transfer from/(to) profit and loss account:			
- current year	47,628	(7,628)	40,000
- prior year	75,000	-	75,000
	<u>122,628</u>	<u>(7,628)</u>	<u>115,000</u>
As at 31 December 1993			

Notes (continued)

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15 Called up share capital

	1993	1992
Company	£	£
<i>Authorised:</i>		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
<i>Allotted</i>		
100 ordinary shares of £1 each fully paid	100	100
49,900 ordinary shares of £1 each partly paid	<u>12,475</u>	<u>-</u>
	<u>12,575</u>	<u>100</u>

On 13 December 1993, £12,475 standing to the credit of the profit and loss account was applied in paying up 25p per share on 49,900 ordinary shares of £1.

16 Profit and loss account

	Group 1993 £	Company 1993 £
Balance at 31 December 1992	218,411	221,286
Retained profit for the year	247,932	245,057
Bonus issue of shares	<u>(12,475)</u>	<u>(12,475)</u>
Balance at 31 December 1993	<u>453,868</u>	<u>453,868</u>

17 Reconciliation of movements in shareholders' funds

	1993 £	1992 £
Profit for the financial year	247,932	182,977
Bonus issue of ordinary shares	(12,475)	-
Increased share capital	<u>12,475</u>	<u>-</u>
Net increase in shareholders' funds	247,932	182,977
Opening shareholders' funds	<u>218,511</u>	<u>35,534</u>
Closing shareholders' funds	<u>466,443</u>	<u>218,511</u>

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Notes (continued)

18 Commitments

Commitments in respect of non-cancellable operating lease rentals to be paid during the next year are:

	1993 £	1992 £
Group and company		
Operating leases which expire:		
- within one year	71,000	80,145
- within two to five years	63,750	-
- after five years	869,083	456,750
	<u>1,003,833</u>	<u>536,895</u>

At 31 December 1993, authorised capital expenditure for which no provision has been made in the financial statements amounted to £Nil (1992: £Nil). Capital expenditure authorised by the directors but not yet contracted for amounted to £Nil (1992: £Nil).

19 Reconciliation of operating profit to net cash inflow from operating activities

	1993 £	1992 £
Operating profit	569,399	283,304
Depreciation charges	118,101	58,386
Loss on disposal of fixed assets	3,256	-
Increase in stocks	(432,568)	(245,073)
Increase in debtors	(44,317)	(168,592)
Increase in creditors	723,713	189,458
	<u>937,584</u>	<u>117,483</u>
Net cash inflow from operating activities		

20 Analysis of changes in cash and cash equivalents during the year

	1993 £	1992 £
Balance at beginning of year	87,254	178,029
Net cash inflow/(outflow)	430,112	(90,775)
	<u>525,366</u>	<u>87,254</u>
Balance at end of year		

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Notes (continued)

21 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1993 £	1992 £	Change in year £
Cash at bank and in hand	525,366	351,410	173,956
Bank overdrafts	-	(264,156)	264,156
	<u>525,366</u>	<u>87,254</u>	<u>438,112</u>

22 Analysis of changes in financing during the year

	Finance leases £	Share capital £	Secured loans £
Balance at 1 January 1993	-	100	346,051
Bonus issue of shares	-	12,475	-
Inception of finance leases	10,055	-	-
Finance lease capital repayments	(5,863)	-	-
	<u>4,192</u>	<u>12,575</u>	<u>346,051</u>
Balance at 31 December 1993	4,192	12,575	346,051