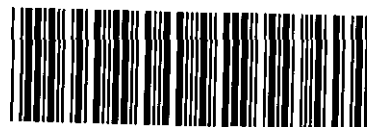


Poundland Limited

Annual Report and Accounts

2006

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Poundland Limited

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Registered number **2495645**

Poundland Limited

Business overview

Business description

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

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

The year has been one of substantial change for the group.

Store portfolio:

The company continued to grow rapidly as a result of its store development programme. During the year 26 new stores were opened in towns where Poundland had not previously traded and three stores were relocated to a better site within the same town. At the end of the year the company traded from 147 stores.

During the 2006/2007 financial year the company has been focusing its effort and resources to improving existing stores within the portfolio. This involves refitting stores and undertaking a programme of upgrading shelving and merchandising equipment so that all stores can more effectively merchandise the new and improved product ranges planned for 2007. So far, in 2006/07, the company has opened 7 new stores, and 2 stores have been relocated to a better site within the same town.

Systems and infrastructure:

The major event during the year was the commissioning of the 300,000 sq.ft. Springvale distribution centre through which all store orders are processed. The Wellmans Road distribution centre has been retained as a bulk storage location. The changes to the company's distribution arrangements required a significant upgrading of the company's store ordering and warehouse management systems which were completed during the year.

Management:

A number of senior management changes took place during the year and subsequently.

Mr Jim McCarthy was appointed CEO in August 2006. Jim joined from J Sainsbury's plc (Sainsbury's) where he served as Managing Director of Convenience from June 2004. Jim (50) has over 30 years experience in retailing. Prior to Sainsbury's, he was CEO at T&S Stores plc, which operated over 1200 stores, driving compound double digit EPS growth over a period of eight years. T&S Stores plc was acquired by Tesco plc in January 2003.

Mr Dave Dodd relinquished his position as CEO in October 2005, becoming Deputy Chairman and resigned as a director in May 2006.

Mr Rob Adams resigned as Finance Director in May 2006 and was succeeded by Mr Nick Hateley in November 2006. Nick (41) joined from Sainsbury's where he worked very closely with Jim McCarthy for two years as the Finance Director of Sainsbury's Convenience. Nick has 20 years experience in finance and business improvement which he gained with PriceWaterhouseCooper's, Accenture and Lucas Industries Plc.

Mr David Coxon joined the group as Buying and Merchandising director in October 2005. David has previously had senior buying and merchandising roles with Kwik Save and Allied Domecq, Mint group and recently Somerfield.

Poundland Limited

Business overview (continued)

Results

Turnover, net of VAT, for the 52 week period was £281.2 million (*53 weeks 2005: £239.9 million*). This represents an overall increase of 17.2% on the previous period. This increase incorporates improved sales from like-for-like stores, the impact of new stores opened during the period and the full year 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 the increase in the number of stores in our portfolio. Consequently, operating costs have increased to £96.6 million (34.3% of turnover) from £78.7 million (*2005: 32.8% of turnover*).

Operating profit, before the exceptional item, has reduced to £5.5 million during the period (*53 weeks 2005: £10.7 million*). After taking account of the exceptional item of £1.6m, which principally related to the write down in stock value of the old legacy stock, profit on disposal of £0.3million and a tax charge of £1.6 million, the company incurred a profit for the period of £2.6 million (*2005: profit of £7.0m*).

Finances

The company has available to it a substantial facility with Bank of Scotland, which provides adequate headroom for the company's current and future anticipated requirements.

The company 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 company does not speculate with foreign currency transactions.

Outlook

Short term financial performance has been affected by the substantial changes the company has been through over the last eighteen months. However, with the new management team in place and key systems and infrastructure changes implemented, the board looks forward to the future with confidence.



Colin Smith
Chairman

31 January 2007

Poundland Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 2 April 2006 (53 weeks ended 3 April 2005).

Principal activity and business review

The principal activity of the company is that of a single price value retailer. The business overview on pages 2 and 3 gives a full review of the business for the period.

Results and dividend

The results for the period are set out in the profit and loss account on page 9.

An ordinary dividend of £49 per share was paid during the period (2005: £154 per share).

Directors and directors' interests

The directors who held office during the period and their interests in the share capital of the company at 2 April 2006 were as follows:

	Ordinary shares	
	2 April 2006	3 April 2005
D Coxon (appointed 24 October 2005)	Nil	Nil
D P Dodd (resigned 9 May 2006)	Nil	Nil
R F Adams (resigned 10 May 2006)	Nil	Nil
R F Sheldon (appointed 11 May 2006)	Nil	Nil
T R Franks (appointed 23 August 2006)	Nil	Nil
J J McCarthy (appointed 23 August 2006)	Nil	Nil
N R Hateley (appointed 30 October 2006)	Nil	Nil
C D Smith	Nil	Nil
C Bales	Nil	Nil
J Maclachlan	Nil	Nil
G Oldridge	Nil	Nil

At the end of the period, the following directors held interests in Poundland Holdings Limited, the company's ultimate parent company:

	Ordinary shares of 10p each	
	2 April 2006	3 April 2005
G Oldridge	40,511	40,511
J Maclachlan	25,000	25,000
C Bales	10,000	-
D Coxon	15,000	-

G Oldridge has options over 11,619 (2005:11,619) of the authorised 'C' ordinary share capital of Poundland Holdings Limited, J Maclachlan has options over 10,763 (2005: 10,763) of authorised 'C' ordinary share capital of Poundland Holdings Limited, C Bales has options over 17,500 (2005:17,500) of authorised 'C' ordinary share capital of Poundland Holdings Limited.

On 24 October 2005, D Coxon was granted options over 17,500 of the authorised 'C' ordinary share capital of Poundland Holdings Limited.

The interests of J J McCarthy, N R Hateley and C D Smith in Poundland Holdings Limited are set out in the financial statements of that company.

There have been no changes in the directors or their interests since the period end other than as set out above.

Poundland Limited

Directors' Report (continued)

Employees

The company 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 company's affairs and are consulted on a regular basis through meetings, wherever feasible and appropriate.

Policy and practice on payment of creditors

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

Company trade creditors, expressed as the number of days of purchases, represented 20 days at the period end (2005: 23 days).

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.

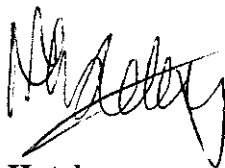
Disclosure of information to auditors

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 a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the board,



N R Hateley
Director

Wellmans Road
Willenhall
West Midlands
WV13 2QT

31 January 07

Poundland 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 financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 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 company and to prevent and detect fraud and other irregularities.



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Poundland Limited

We have audited the financial statements of Poundland Limited for the 52 weeks ended 2 April 2006 which comprise the Profit and Loss Account, the Balance Sheet, 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 5.

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 Business Overview 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 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 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 company's affairs as at 2 April 2006 and of its profit for the 52 weeks 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

31 January 2007

Poundland Limited

Profit and loss account

52 weeks ended 2 April 2006 (53 weeks ended 3 April 2005)

	Note	52 weeks 2006 £'000	53 weeks 2005 (restated Note 1) £'000
Turnover	1	281,223	239,918
Cost of sales		(180,777)	(150,502)
Gross profit		100,446	89,416
Distribution costs		(81,936)	(64,900)
Administrative expenses		(14,631)	(13,767)
Operating profit	2	3,879	10,749
<hr/>			
<i>Operating profit before exceptional item</i>		5,470	10,749
Exceptional item	2	(1,591)	-
Operating profit		3,879	10,749
<hr/>			
Profit on disposal of fixed asset	3	293	-
Net interest receivable/ (payable)	6	33	(12)
Profit on ordinary activities before taxation		4,205	10,737
Taxation on profit on ordinary activities	7	(1,591)	(3,725)
Profit for the financial period	18,19	2,614	7,012

There were no recognised gains and losses in the period other than those reported in the profit and loss account.

All activities were continuing throughout the current and preceding period.

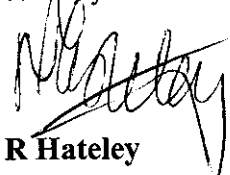
Poundland Limited

Balance sheet

As at 2 April 2006 (3 April 2005)

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	9	20,122	17,962
Investments	10	-	-
		<hr/>	<hr/>
		20,122	17,962
Current assets			
Stocks	11	20,928	21,131
Debtors	12	9,860	6,209
Cash at bank and in hand		3,348	-
		<hr/>	<hr/>
		34,136	27,340
Creditors: amounts falling due within one year	13	(35,081)	(24,159)
		<hr/>	<hr/>
Net current (liabilities)/ assets		(945)	3,181
		<hr/>	<hr/>
Total assets less current liabilities		19,177	21,143
Creditors: amounts falling due after more than one Year	14	(1,358)	(3,540)
Provisions for liabilities and charges	16	(777)	(712)
		<hr/>	<hr/>
Net assets		17,042	16,891
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	50	50
Profit and loss account	18	16,992	16,841
		<hr/>	<hr/>
Shareholders' funds	19	17,042	16,891
		<hr/>	<hr/>

The financial statements on pages 9 to 19 were approved by the Board of Directors on 31 January 2007 and signed on its behalf by:


N R Hateley
 Director

Poundland 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 financial statements.

Basis of preparation

The financial statements have been prepared in accordance with all applicable accounting standards and under the historic cost convention. In these financial statements, the following new standards have been adopted for the first time:

- FRS 21 – ‘Events after the balance sheet date’;
- FRS 23 – ‘The effects of changes in foreign exchange rates’;
- The presentation requirements of FRS 25 – ‘Financial Instruments: presentation and disclosure’;
- FRS 28 – ‘Corresponding amounts’.

The adoption of these standards has no impact on the financial statements, except for FRS 21 which resulted in the dividend of £7.7 million declared in the prior period being debited directly to equity (see note 19).

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:

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

No depreciation is provided on freehold land.

The maximum useful economic life 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 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”.

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 and losses on translation are included in the profit and loss account.

Poundland Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

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 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 lease period.

Pensions

The company 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.

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.

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.

Cash flow

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published financial statements.

Classification of financial instruments issued by the company

Following the adoption of FRS 25, 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's 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.

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 Limited

Notes to the financial statements (continued)

2 Operating profit

	52 weeks 2006 £'000	53 weeks 2005 £'000
Operating profit is stated after charging:		
Auditors' remuneration:		
Audit	33	33
Fees paid to the auditors and its associates in respect of other services	62	49
Payments under operating leases:		
Hire of plant and equipment	1,705	1,347
Other	18,698	14,286
Depreciation and other amounts written off tangible fixed assets:		
Owned	5,235	3,864
Leased	169	275
Loss on disposal of fixed assets	173	-
	<hr/>	<hr/>

The operating exceptional item cost incurred in 2006 principally relates to the write down in the value of old legacy stock held at the year end, which has subsequently been sold at a loss post year end.

3 Profit on disposal of fixed asset

A freehold property was sold during the year resulting in a profit of £293,000. The effect of the above item is to increase the taxation charge by £88,000.

4 Directors' remuneration

	52 weeks 2006 £'000	53 weeks 2005 £'000
Directors' emoluments	1,224	1,213
Company contribution to defined contribution pension scheme	129	131
	<hr/>	<hr/>
	1,353	1,344
	<hr/>	<hr/>
	52 weeks 2006 £'000	53 weeks 2005 £'000
Highest paid director		
Director's emoluments	299	311
Company contribution to defined contribution pension scheme	38	38
	<hr/>	<hr/>
	337	349
	<hr/>	<hr/>

Five directors (2005: five) were members of defined contribution pension schemes.

Poundland Limited

Notes to the financial statements (continued)

5 Staff numbers and costs

	2006 Number	2005 Number
The average number of persons (including directors) employed by the company during the period, analysed by category, was as follows:		
Administration	184	185
Selling and distribution	4,013	3,330
	<hr/>	<hr/>
	4,197	3,515
	<hr/>	<hr/>
	52 weeks	53 weeks
	2006	2005
	£'000	£'000
The payroll costs of these persons were as follows:		
Wages and salaries	41,333	34,350
Social security costs	2,735	2,556
Other pension costs	413	379
	<hr/>	<hr/>
	44,481	37,285
	<hr/>	<hr/>

6 Net interest receivable/ (payable)

	52 weeks 2006 £'000	53 weeks 2005 £'000
Interest payable on finance leases	(31)	(48)
Bank interest receivable	64	36
	<hr/>	<hr/>
	33	(12)
	<hr/>	<hr/>

7 Taxation on ordinary activities

	52 weeks 2006 £'000	53 weeks 2005 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	(1,626)	(3,469)
Adjustments in respect of prior periods	100	(106)
	<hr/>	<hr/>
Total current tax	(1,526)	(3,575)
<i>Deferred tax (see note 16)</i>		
Origination of timing differences	(163)	(256)
Adjustments in respect of prior periods	98	106
	<hr/>	<hr/>
	(65)	(150)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(1,591)	(3,725)
	<hr/>	<hr/>

Poundland Limited

Notes to the financial statements (continued)

7 Taxation on ordinary activities (continued)

Factors affecting the current tax charge for the period

	52 weeks 2006 £'000	53 weeks 2005 £'000
The current tax charge for the period is higher (2005: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	4,205	10,737
	<hr/>	<hr/>
Current tax at 30%	1,262	3,221
<i>Effects of:</i>		
Expenses not deductible for tax purposes	527	504
Capital allowances for period in excess of depreciation and other timing differences	(163)	(256)
Adjustments to tax charge in respect of previous periods	(100)	106
	<hr/>	<hr/>
Total current tax charge	1,526	3,575
	<hr/>	<hr/>

8 Dividend

	52 weeks 2006 £'000	53 weeks 2005 £'000
Equity shares:		
Final dividend paid in the year	2,463	7,700
	<hr/>	<hr/>

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
Cost						
At 4 April 2005	493	12,935	9,478	12,048	1,002	35,956
Additions	-	4,066	1,155	2,968	-	8,189
Disposals	(493)	(334)	(379)	(143)	-	(1,349)
At 2 April 2006	-	16,667	10,254	14,873	1,002	42,796
Depreciation						
At 4 April 2005	54	5,103	5,740	6,095	1,002	17,994
Charge for the period	8	2,223	1,184	1,989	-	5,404
Disposals	(62)	(211)	(352)	(99)	-	(724)
At 2 April 2006	-	7,115	6,572	7,985	1,002	22,674
Net book value						
At 2 April 2006	-	9,552	3,682	6,888	-	20,122
At 3 April 2005	439	7,832	3,738	5,953	-	17,962

Poundland Limited

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

The net book value of plant and equipment includes an amount of £ nil (2005: £169,000) in respect of assets held under finance leases. Depreciation charged during the period in respect of these assets amounted to £169,000 (2005: £275,000).

10 Investments

	2006 £'000	2005 £'000
Shares in subsidiary undertakings, at cost	168	168
Less: impairment provision	(168)	(168)
	<hr/>	<hr/>
	-	-

	Principal activity	Country of incorporation	Proportion of ordinary shares held
The company's subsidiary undertakings are:			
M & O Business Systems	Dormant	England	75%
Bargain Limited	Dormant	England	100%
Homes & More Limited	Dormant	England	100%
Poundland Far East Limited	Product sourcing	Hong Kong	100%
Poundland Stores Limited	Dormant	England	100%
Poundland International	Dormant	England	100%
Sheptonview Limited	Dormant	England	100%

11 Stocks

	2006 £'000	2005 £'000
Goods purchased for resale	20,928	21,131
	<hr/>	<hr/>

12 Debtors

	2006 £'000	2005 £'000
Trade debtors	391	153
Corporation tax	834	165
Amounts owed by group undertakings	2,303	284
Other debtors	-	66
Prepayments and accrued income	6,332	5,541
	<hr/>	<hr/>
	9,860	6,209
	<hr/>	<hr/>

Poundland Limited

Notes to the financial statements (continued)

13 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Obligations under finance leases	-	136
Trade creditors	23,461	15,247
Other taxation and social security	2,606	2,384
Group relief payable	1,065	1,320
Other creditors	661	547
Accruals and deferred income	7,288	4,525
	<hr/> 35,081	<hr/> 24,159

14 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Bank loans and overdrafts	-	2,454
Accruals and deferred income	1,358	1,086
	<hr/> 1,358	<hr/> 3,540

15 Analysis of debt

	2006 Finance leases £'000	2005 Finance leases £'000
Amounts payable within 1 year	-	136
	<hr/> -	<hr/> 136

16 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:-

	2006 £'000
Deferred tax liability at the beginning of the period	712
Arising in the period	65
	<hr/> 777
Deferred tax liability at the end of the period	

Poundland Limited

Notes to the financial statements (continued)

16	Provisions for liabilities and charges (continued)	2006	2005
		£'000	£'000
	Accelerated capital allowances	734	728
	Other timing differences	43	(16)
		<hr/>	<hr/>
	Deferred tax liability	777	712
		<hr/>	<hr/>
17	Called up share capital	2006	2005
		£	£
	<i>Authorised</i>		
	500,000 ordinary shares of £1 each	500,000	500,000
		<hr/>	<hr/>
	<i>Allotted, called up and fully paid</i>		
	50,000 ordinary shares of £1 each	50,000	50,000
		<hr/>	<hr/>
18	Reserves		Profit and loss account £'000
	Retained profit at 4 April 2005		16,841
	Profit for the financial period		2,614
	Dividends on shares classified in shareholders' funds		(2,463)
			<hr/>
	Retained profit at 2 April 2006		16,992
			<hr/>
19	Reconciliation of movements in shareholders' funds for the 52 weeks ended 2 April 2006 (53 weeks ended 3 April 2005)	2006	2005
		£'000	(restated Note 1) £'000
	Profit for the financial period	2,614	7,012
	Dividend on shares classified in shareholders' funds	(2,463)	(7,700)
		<hr/>	<hr/>
	Net addition/ (reduction) to shareholders' funds	151	(688)
	Opening shareholders' funds	16,891	17,579
		<hr/>	<hr/>
	Closing shareholders' funds	17,042	16,891
		<hr/>	<hr/>

Poundland Limited

Notes to the financial statements (continued)

20 Operating lease commitments

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

	Land and buildings		Other	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	100	494	83	85
- in the second to fifth years inclusive	2,253	1,640	1,033	688
- in over five years	16,475	13,092	85	-
	<u>18,828</u>	<u>15,226</u>	<u>1,201</u>	<u>773</u>

21 Capital commitments

Capital commitments for which no provision has been made in the financial statements of the company were as follows:-

	2006	2005
	£'000	£'000
Contracted	<u>1,327</u>	<u>2,732</u>

22 Transactions with related parties

During the period the company engaged in transactions with the following related parties as defined in 'FRS 8 – Related Party Disclosures':

The company paid market rent totalling £215,000 plus VAT (2005: £215,000) to a company in which D P Dodd had an interest. There were no amounts outstanding to this company at the period end.

23 Financial instruments

The fair value of forward contracts outstanding as at 2 April 2006 is a liability of £236,765 (2005: asset £92,412). 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.

24 Ultimate parent company

The company's ultimate parent company is Poundland Holdings Limited, a company incorporated in England and Wales. Copies of the financial statements for Poundland Holdings Limited are available from its registered office, which is situated at Wellmans Road, Willenhall, West Midlands, WV13 2QT.