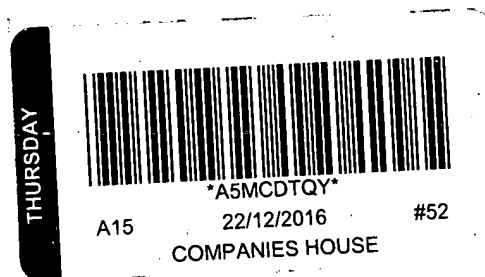


Poundland Limited

**Annual report and financial
statements**

Registered number 2495645

For the 52 week period ended 27 March
2016



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Strategic report

Principal activity and business review

The principal activity of the Company is that of a value retailer. The Company also trades in the Irish market, under the brand “Dealz”.

The highlight of the financial year was the acquisition of 99p Stores Limited and subsidiary undertakings by Poundland Group plc, the Company’s ultimate parent, on 28 September 2015. This added 252 stores to the Group portfolio in one move, an increase of 40%. The protracted Competition and Markets Authority (“CMA”) review process significantly impacted the trading performance of 99p Stores Limited; the business lost credit insurance resulting in reduction in stock levels and sales. On acquisition date, the business was trading in extremely distressed circumstances and despite an immediate injection of stock and cash, the trading performance did not recover due to the loss of customer confidence in the brand. The rebranding programme was therefore accelerated. The transfer of trade from 99p Stores Limited to Poundland Limited is an incremental and ongoing process, consisting of the rebranding of stores and the legal assignment of leases. During the year, 190 units were converted to the Poundland fascia, including 165 in the final quarter. By the end of April 2016, 235 stores had been rebranded.

In September 2015, the Company launched the transactional website and has learned a great deal from it. It is important that we take advantage of the incremental opportunity that this channel to market allows.

The Group continued its low cost, low risk Spanish trial, opening a further five stores in the year. The Spanish trading entity is Dealz Espana SL, an indirect subsidiary of Poundland Limited.

Poundland is Europe’s largest single price value retailer, offering for sale throughout the UK, Ireland and Isle of Man a wide variety of general merchandise from over 850 high street, city centre and retail park stores. The Company trades under the “Poundland” fascia in the UK where all items of merchandise have a single selling price of £1 and under the “Dealz” fascia in the Republic of Ireland, where the majority of products have a selling price of €1.50, supplemented by other higher price points, all of which offer amazing value every day to Irish consumers.

Our goal provides the framework upon which we continue to grow our business:

“At Poundland, we deliver amazing value to our customers every day. We will be famous for our wide range of great products and top brands, offering many exciting new lines every week. Poundland will always be fun and friendly with something for everyone.”

Poundland’s retail proposition is robust, with seven million customer transactions undertaken in our stores every week. We are a price-driven, volume-led business that delivers amazing value across seventeen merchandise categories, covering approximately 3,500 product lines including over 1,000 well-known branded products and a multitude of one-off “wow” purchases that are simply irresistible to the discerning value-driven consumer.

Our extensive product assortment delivers a wide and compelling choice for our customers and includes branded and own label products across a variety of categories, including food and drink, household, DIY, homeware, clothing, stationery, toys, entertainment and health and beauty. The vast majority of famous brands that we offer are sourced directly from major manufacturers, including Cadbury (Mondelez UK), Mars, Heinz, Nestle and Colgate. Our seasonal event product range is also an important part of our overall consumer offer. We provide our customers with amazing value products for key seasons, including Christmas, Easter, Halloween, Back to School and Gardening.

In the period, in addition to the rebranding of 190 99p Stores, we opened a net 60 new stores. Research supported by Javelin indicates a potential for 1,300 Poundland stores in the United Kingdom and 100 Dealz stores in the Republic of Ireland. However, given the addition of over 300 stores to Group portfolio in one year, in FY2017 we will open fewer stores, enabling a period of consolidation. We plan to revert to a more normal level of growth in future years.

We will also continue to explore new growth opportunities, including an extension of the Spanish trial to November 2016 and the launch of a trial multi-price format.

Strategic report (continued)

Results and dividends

The results for the 52 week period are set out in the income statement on page 10. The Company paid a dividend of £11.9 million, facilitating the payment of dividends by the ultimate parent company, Poundland Group plc. In the 52 weeks ended 29 March 2015, the Company paid a dividend of £48.9 million. Included within this amount was £45.1 million which was part of the Post Admission steps referred to in the initial public offering pathfinder prospectus for Poundland Group plc, the Company's ultimate parent, enabling the offsetting of intra-group balances. As a result of this exercise, the Company was released from certain of its intra-group liabilities and recognised a corresponding capital contribution reserve within equity. Further, the Group structure was re-organised to help prevent the erosion of profit and loss reserves between the subsidiaries. As a result, ownership of the Company was transferred from Poundland Willenhall Limited to Poundland Holdings Limited.

Revenue increased by 9.3% in the period. This was the result of the net 60 new stores opened in the year and the conversion of the 99p Stores. Like-for-like ('LFL') revenue growth decreased by 3.9%. At the period end, the Company operated from 850 stores.

Gross profit has increased by 9.7% and, at 37.3% gross margin, shows a slight improvement on the prior period as a percentage of revenue. Improved buying power, the increased proportion of own label products in the sales mix and the increased number of Dealz and retail park stores in the estate have compensated for the negative impact of inflation and the impact of the weakening Euro.

Underlying operating costs as a percentage of revenue is 33.9% (2015: 33.1%). This is higher than the prior period as a result of the effect of the decline in LFL sales performance on our fixed costs, as well as continued investment in the business.

Underlying profit after tax has decreased by 9.7% on prior period. Underlying EBITDA, at £56.7 million, has decreased by 9.5% in the period.

The Company has incurred non-underlying operating costs in the period, principally relating to the integration and conversion of 99p Stores into the Poundland family (£7,700,000). In the prior year, the Company incurred £1,541,000 relating to the relocation of the distribution facility in the South East of England, together with the costs of disposing of the temporary facility; £93,000 relating to costs associated with the ultimate parent company's (Poundland Group plc) successful IPO in March 2014; and £152,000 relating to costs incurred in relation to the Group's strategic initiatives of expansion into Continental Europe. During the prior period, the Company acquired a Spanish subsidiary through its own subsidiary, Poundland International Limited, and in both periods further non-underlying costs relating to the Spanish trial have been expensed through the Spanish company.

Total profit after tax has decreased by 21.5% on prior period. The result is distorted by the significant non-underlying costs incurred in both periods.

The cash generating ability of the Company continues to be strong. The Group's debt is held by Poundland Holdings Limited, therefore the cash position of the Company needs to be viewed in the context of the Group's overall net debt position, which has deteriorated by £25.9 million in the period. At 27 March 2016, Group net debt was £12.0 million (2015: net funds of £13.9 million). At 27 March 2016, the Company only cash position was £28.8 million higher than at the previous period end, reflective of the higher intercompany payable. Utilising these increased intercompany borrowings, Poundland Limited has funded capital investment in the conversion of the 99p Stores (£20.1 million) and the working capital of 99p Stores Limited post-acquisition.

In the period, the Company also supported the working capital of the Spanish trial and invested £1.7 million in the five Spanish stores opened in the period. The Company also funded £23.0 million of capital investment in its new stores, its existing retail estate, its distribution centres and its IT infrastructure; and the £11.9 million dividends paid in the year.

On 28 September 2015, the Group extended its current debt facility, which now consists of a working capital and revolving credit facility of £95.0 million with the same syndicate of banks, for which Lloyds Bank plc continues to act as agent. The other members of the banking syndicate are: Barclays Bank plc, the Royal Bank of Scotland plc and Santander UK plc.

Strategic report *(continued)*

On 16 September 2016, Poundland Group plc, the company's previous ultimate parent company, was acquired by the group headed by Steinhoff International Holdings N.V., a company registered in The Netherlands. From 16 September 2016, the Company's ultimate parent undertaking is Steinhoff International Holdings N.V.

Principal risks and uncertainties

Economic

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

The Company sources products from a variety of locations including international markets. It is exposed to movement in the price and supply of key raw materials and foreign currency fluctuations on certain purchases sourced from overseas. Both raw material prices and currency rates have been subject to increased volatility in the prevailing economic climate. These risks are managed by spreading the source of supply and hedging policies for currency.

The Company's expansion into the Republic of Ireland and the volatility of the Euro over the financial year means the Company is exposed to foreign currency fluctuations in the trading results of certain branches. This constitutes a growing proportion of overall trading performance and is the focus of close management scrutiny and will continue to be so as the Irish branch expands and the Group opens more stores in Spain.

These risks are managed by hedging policies which include the use of Euro forward foreign exchange contracts.

'Brexit'

Britain's decision to leave the European Union could lead to a more challenging environment in the short and longer term due to uncertainties in the current markets, together with its future impact on our colleagues. We will continue to thoroughly monitor any impact on the Company at this uncertain time.

The impact of the 'Brexit' result has created uncertainty in the currency markets and the Company will strive to minimise its impact. Wherever possible, natural hedging is used to minimise the risk to the Company of significant currency transactions.

Operational

The Company's continued growth is dependent on continuing to open stores in profitable locations on a timely basis and to increase sales from the existing estate. The Company's highly motivated and experienced property department are constantly working to identify and secure attractive locations for new stores, including the selection of the most appropriate store format. The Company seeks to ensure continued growth within the existing estate by the development of an in-depth understanding of local market conditions and competition, the delivery of excellent customer service and the recruitment of high quality store management and colleagues.

The Company's logistics and distribution infrastructure underpins its success. Unexpected delivery delays resulting from severe weather or disruptions to the national or international transportation infrastructure, or increases in costs could materially impact the business. The Company continually reviews its distribution network and has opened a fourth purpose-built distribution centre in Wigan in the Summer of 2016.

The Company's cash flows from operations may be negatively affected if it does not successfully manage its inventory balances or level of inventory shrinkage. Throughout its history, the Company has successfully maintained sufficient inventory levels and continues to employ the good habits that it has gained through this extensive experience. As is the case for all retailers, inventory shrinkage is an unavoidable cost of doing business. However, the Company employs measures that will reduce the impact.

Further details of the principal risks and uncertainties facing the Company are included in the Annual Report and consolidated financial statements of Poundland Group Plc.

Strategic report *(continued)*

Policy and practice on payment of creditors

Provided that a supplier is complying with the relevant terms and conditions, including prompt and complete submission of all specified documentation, payment will be made in accordance with these agreed terms. 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.

Environmental matters

We recognise that our operations impact the environment and that this is an increasingly important issue for consumers. We actively pursue policies that help us to reduce our carbon footprint and costs. We focus on four key areas; using less electricity; maximising recycling opportunities; improving fuel efficiency; and reducing packaging waste. We consider this key to the ongoing success of our business. We actively pursue policies that help us reduce the environmental impact of our operations and constantly seek to reduce our energy consumption to deliver efficiencies and meet the exacting environmental requirements of our socially aware customers.

Employees

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

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

By order of the board



NR Hateley
Director

12 October 2016

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 27 March 2016 (2015: 52 weeks ended 29 March 2015).

Directors

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

JJ McCarthy	(resigned 30 June 2016)
K O'Byrne	(appointed 4 April 2016)
NR Hateley	
T McDonnell	(resigned 30 September 2016)
M Gray	
M Burton	(appointed 1 April 2015)
A Garbutt	(appointed 1 June 2015)
S Twigger	(appointed 7 September 2015)
M Dawson	(appointed 1 December 2015)
J Jhuti	(appointed 4 April 2016)
C Bales	(resigned 1 June 2015)
R Lancaster	(resigned 28 August 2015)
M Powell	(resigned 28 August 2015)
A Monk	(resigned 30 June 2016)

Other than those disclosed above, there have been no changes in directors after the period end.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

Strategic report

Information on principal activity and business review, principal risks and uncertainties, results and dividends, policy and practice on payment of creditors and employees is included within the Strategic report.

By order of the board



NR Hateley
Director

Wellmans Road
Willenhall
West Midlands
WV13 2QT

12 October 2016

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

The directors are responsible for preparing the Strategic report, 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 period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including *FRS 101 Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Poundland Limited

We have audited the financial statements of Poundland Limited for the 52 week period ended 27 March 2016 set out on pages 10 to 37. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including *FRS 101 Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 March 2016 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Poundland Limited *(continued)*

Matters on which we are required to report by exception

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

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



Greg Watts (Senior Statutory Auditor)
and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

13 October 2016

Income statement

for the 52 week period ended 27 March 2016

	Notes	Underlying £000	52 weeks 2016 Non- underlying £000	Total £000	Underlying £000	52 weeks 2015 (restated) Non- underlying £000	Total £000
Revenue		1,214,818	-	1,214,818	1,111,526	-	1,111,526
Poundland		1,164,470	-	1,164,470	1,111,526	-	1,111,526
Converted 99p Stores		50,348	-	50,348	-	-	-
Cost of sales		(762,101)	-	(762,101)	(698,801)	-	(698,801)
Gross profit		452,717	-	452,717	412,725	-	412,725
Distribution costs	2	(373,353)	(4,690)	(378,043)	(332,050)	(1,541)	(333,591)
Administrative expenses	2	(38,954)	(7,286)	(46,240)	(36,340)	(245)	(36,585)
Other operating income		301	4,255	4,556	334	-	334
Operating profit	2	40,711	(7,721)	32,990	44,669	(1,786)	42,883
Poundland		38,787	(3,019)	35,768	44,669	(1,786)	42,883
Converted 99p Stores		1,924	(4,702)	(2,778)	-	-	-
Financial income	3	371	1,293	1,664	74	-	74
Financial expense	4	(1)	-	(1)	(397)	-	(397)
Profit before taxation		41,081	(6,428)	34,653	44,346	(1,786)	42,560
Poundland		38,831	(1,726)	37,105	44,683	(1,786)	42,897
Converted 99p Stores		1,924	(4,702)	(2,778)	-	-	-
Financial Instruments		326	-	326	(337)	-	(337)
Taxation	7	(9,724)	1,226	(8,498)	(9,619)	375	(9,244)
Profit for the period		31,357	(5,202)	26,155	34,727	(1,411)	33,316

The notes on pages 14 to 37 form part of these financial statements.

All activities were continuing and from acquisitions in the current period. All activities were continuing throughout the preceding period.

The accounting policy for non-underlying items is explained in note 1.17. For further details of current period items, see note 2.

Statement of Other Comprehensive Income
for 52 week period ended 27 March 2016


	Note	52 weeks 2016 £000	52 weeks 2015 £000
Profit for the period		26,155	33,316
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges		(18,627)	22,874
Net change in fair value of cash flow hedges reclassified to profit or loss		11,746	(5,079)
Income tax on items that are or may be reclassified subsequently to profit or loss		1,415	(3,559)
Other comprehensive income for the period, net of income tax		(5,466)	14,236
Total comprehensive income for the period		20,689	47,552

Statement of Financial Position at 27 March 2016

	Note	2016 £000	2015 (Restated) £000
Non-current assets			
Property, plant and equipment	8	78,567	45,202
Intangibles	9	75,175	1,749
Investments in subsidiaries	10	-	-
Trade and other receivables		425	456
Other financial assets		358	451
Deferred tax asset	16	299	1,842
		<u>154,824</u>	<u>49,700</u>
Current assets			
Inventories	11	148,011	113,211
Tax receivable		3,841	821
Trade and other receivables	13	44,080	63,815
Other financial assets		8,320	11,550
Cash and cash equivalents		43,708	14,952
		<u>247,960</u>	<u>204,349</u>
Total assets		<u>402,784</u>	<u>254,049</u>
Current liabilities			
Trade and other payables	14	(274,902)	(144,151)
Tax payable		-	(3,085)
Other financial liabilities		(3,412)	(574)
Provisions	17	(2,608)	(524)
		<u>(280,922)</u>	<u>(148,334)</u>
Non-current liabilities			
Trade and other payables	15	(23,865)	(19,510)
Other financial liabilities		(511)	(117)
Provisions	17	(1,791)	(137)
		<u>(26,167)</u>	<u>(19,764)</u>
Total liabilities		<u>(307,089)</u>	<u>(168,098)</u>
Net assets		<u>95,695</u>	<u>85,951</u>
Equity attributable to equity holders of the parent			
Share capital	18	50	50
Capital contribution reserve		9,517	9,517
Cash flow hedge reserve		3,959	9,425
Retained earnings		82,169	66,959
Total equity		<u>95,695</u>	<u>85,951</u>

The notes on pages 14 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 12 October 2016 and were signed on its behalf by:


NR Hateley
Director
Registered number: 2495645

Statement of Changes in Equity
For the period ended 27 March 2016

	Share capital	Capital contribution reserve	Cash Flow Hedge Reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 31 March 2014	50	-	-	96,185	96,235
Effect of transition to FRS 101 from UK GAAP	-	-	(4,811)	(14,911)	(19,722)
Balance at 31 March 2014 restated	50	-	(4,811)	81,274	76,513
Total comprehensive income for the period					
Profit for the period	-	-	-	33,316	33,316
Other comprehensive income	-	-	14,236	-	14,236
Total comprehensive income for the period	-	-	14,236	33,316	47,552
Transactions with owners, recorded directly in equity					
Release from intra-group obligations	-	9,517	-	-	9,517
Equity-settled share based payment transactions	-	-	-	1,246	1,246
Dividends	-	-	-	(48,877)	(48,877)
Total contributions by and distributions to owners	-	9,517	-	(47,631)	(38,114)
Balance at 29 March 2015	50	9,517	9,425	66,959	85,951
Balance at 30 March 2015	50	9,517	9,425	66,959	85,951
Total comprehensive income for the period					
Profit for the period	-	-	-	26,155	26,155
Other comprehensive income	-	-	(5,466)	-	(5,466)
Total comprehensive income for the period	-	-	(5,466)	26,155	20,689
Transactions with owners, recorded directly in equity					
Equity-settled share based payment transactions	-	-	-	989	989
Dividends paid	-	-	-	(11,934)	(11,934)
Total contributions by and distributions to owners	-	-	-	(10,945)	(10,945)
Balance at 27 March 2016	50	9,517	3,959	82,169	95,695

Notes

(forming part of the financial statements)

1 Accounting policies

Poundland Limited (the “Company”) is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. These are the Company’s first financial statements prepared under FRS 101.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 26.

The Company has early adopted the requirements of Statutory Instrument (SI) 2015 No. 980 *The Companies, Partnerships and Group (Accounts and Reports) Regulations 2015*.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 31 March 2014.

The Company’s ultimate parent undertaking, Poundland Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Poundland Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Wellmans Road, Willenhall, West Midlands WV13 2QT.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with group companies;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

Notes (continued)

1 Accounting policies (continued)

As the consolidated financial statements of Poundland Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 31 March 2014 for the purposes of the transition to FRS 101.

Change in accounting policy

In these financial statements the Company has changed its accounting policies in the following areas, which have not had a material effect on the financial statements:

The company has adopted the following IFRSs in these financial statements:

- Annual Improvements to IFRSs – 2010-2012 Cycle. The definition of a ‘related party’ is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- Annual Improvements to IFRSs – 2011-2013 Cycle.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, except where adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments.

1.2 Going concern

The Group has considerable financial resources, together with a strong, ongoing trading performance. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

On 28 September 2015, the Group extended its revolving credit and working capital facility to £95 million with a syndicate of banks. The extended borrowing facilities contain financial covenants which have been met throughout both periods. The Group’s forecasts and projections show that the extended facility provides adequate headroom for its current and future anticipated cash requirements.

Further information regarding the Company’s business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic report.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity 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 share capital exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

1.6 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments (comprising foreign currency forward contracts and commodity hedges) are used to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products) and fuel price fluctuations. The Company does not hold or issue derivative financial instruments for speculative trading purposes. The Company uses the derivatives to hedge highly probable forecast transactions and, therefore, the instruments are designated as cash flow hedges.

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The effective element of any gain or loss from remeasuring the derivative instrument is recognised directly in the cash flow hedge reserve.

The associated cumulative gain or loss is reclassified from the statement of changes in equity and recognised in the income statement in the same period or periods during which the hedged transaction affects the income statement. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within financial income or financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in other comprehensive income is recognised immediately in the income statement.

The full fair value of a hedging derivative is classified as a non current asset or liability if the remaining maturity of the hedged item is more than twelve months, or as a current asset or liability if the remaining maturity of the hedged item is less than twelve months from the reporting date.

1.7 Property, plant and equipment

Property, plant and equipment are stated at purchase cost (together with incidental costs of acquisition) less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Short leasehold property (less than 50 years)	- over the term of the lease
Fixtures and fittings	- 3-25 years (dependent upon lease term)

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1.8 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

Favourable leases

On acquisition, when contractual lease payments are lower than market rents, an asset is recognised which reflects the fair value of the difference between contractual lease payments and current market rates, less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses.

Notes (continued)

1 Accounting policies (continued)

1.8 Intangible assets and goodwill (continued)

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Favourable leases	over the remaining term of the lease
Trademarks	5 years
Software	3 years

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

1.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.11 Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.12 Revenue

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably.

1.13 Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

1.14 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.15 Supplier income

Rebate income consists of income generated from volume related rebate agreements and other supplier funding received on an ad hoc basis for in store promotional activity. The income received is recognised as a deduction from cost of sales.

Volume related income is recognised based on the expected entitlement at the reporting date based on agreed and documented contractual terms. Where the contractual period is not yet complete, the Group will estimate expected purchase volumes taking into account current performance levels to assess the probability of achieving contractual target volumes.

Other supplier funding is recognised as invoiced to the suppliers, subject to satisfaction of any related performance conditions. To minimise the risk arising from estimate, supplier confirmations are obtained at the reporting date prior to amounts being invoiced.

1.16 Promotional funding

Promotional pricing income relates to income received from suppliers to invest in the customer offer. It is considered an adjustment to the core cost price of a product and as such is recognised as a reduction in the purchase price of a product. Timing of invoicing of amounts due is agreed on an individual basis with each supplier.

Uncollected commercial income at the reporting date is presented within the financial statements as follows:

Trade payables – it is common practice for the Group to net income due from suppliers against amounts owing to that supplier. Any outstanding invoiced commercial income relating to these suppliers at the reporting date will be included within trade payables.

Trade receivables – where there is no practice of netting commercial income from amounts owed to the supplier, the Group will present amounts due within trade receivables. Where commercial income is earned but not invoiced to the supplier at the reporting date, the amount due is included within prepayments and accrued income.

1.17 Non underlying items

Non underlying items are those items that are unusual because of their size, nature or incidence. The Directors consider that these items should be separately identified within their relevant income statement category to enable a full understanding of the Group's results.

1.18 Cash flow reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges where the contract has not yet expired. The reserve is stated net of the associated tax. On expiry of the contract, the effective portion is recycled to the income statement.

Notes (continued)

2 Operating profit and non-underlying items

	52 weeks 2016	52 weeks 2015 Restated
	£000	£000
<i>Operating profit is stated after charging</i>		
Payments under operating leases:		
Other	6,056	5,832
Land and buildings	94,893	82,627
Depreciation and other amounts written off tangible fixed assets:		
Owned	15,243	14,244
Amortisation of other intangibles	949	739

Included within non-underlying distribution costs are £4,690,000 (2015: £Nil) and within non-underlying administrative expenses, net of other operating income, are £3,031,000 (2015: £Nil) of costs relating to the integration and conversion of 99p Stores into the Poundland estate.

In the prior period the Company incurred costs of £152,000 relating to strategic initiatives (supporting the Spanish trial) (2016: £Nil), and costs in respect of Group's listing of £93,000 (2016: £Nil).

Also in the prior period, within non-underlying distribution costs, were £1,541,000 (2016: £Nil) relating to one off expenditure incurred as a result of relocating the distribution facility in the South East of England, and disposing of the existing facility.

The tax implications of the above items are also presented as a non-underlying item.

	52 weeks 2016	52 weeks 2015 Restated
	£000	£000
<i>Auditor's remuneration</i>		
Fees payable to the company's auditor for the audit of the company's annual financial statements	83	53

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Poundland Group Plc.

3 Financial income

	52 weeks 2016	52 weeks 2015 Restated
	£000	£000
On amounts owed by group undertakings	1,293	-
Bank interest receivable	45	74
Ineffective portion of changes in fair value of cash flow hedges	326	-
	1,664	74

Amounts owed by group undertakings are shown as non underlying in the income statement.

Notes (continued)

4 Financial expense

	52 weeks 2016	52 weeks 2015 Restated
	£000	£000
On amounts owed to group undertakings	-	59
Bank interest payable	1	1
Ineffective portion of changes in fair value of cash flow hedges	-	337
	<u>1</u>	<u>397</u>

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was as follows:

	Number of employees 52 weeks 2016	52 weeks 2015
Administration	410	362
Selling and distribution	14,641	13,737
	<u>15,051</u>	<u>14,099</u>

The aggregate payroll costs of these persons were as follows:

	52 weeks 2016	52 weeks 2015 Restated
	£000	£000
Wages and salaries	171,358	153,469
Social security costs	9,296	8,058
Other pension costs	1,610	1,434
Share based payments expense	989	1,246
	<u>183,253</u>	<u>164,207</u>

Notes (continued)

6 Remuneration of directors

Remuneration

The remuneration of the directors was as follows:

	52 weeks 2016 £000	52 weeks 2015 £000
Emoluments	2,594	2,181
Company contribution to defined contribution pension scheme	299	209
Long term incentive schemes	573	356
	<u>3,466</u>	<u>2,746</u>

Eight directors (2015: seven) were members of defined contribution pension schemes.

Highest paid director

The amounts for remuneration include the following in respect of the highest paid director:

	52 weeks 2016 £000	52 weeks 2015 Restated £000
Emoluments	540	528
Long term incentive schemes	87	137
	<u>627</u>	<u>665</u>

7 Taxation

Analysis of charge for the period

	52 weeks 2016 £000	£000	52 weeks 2015 Restated £000	£000
<i>Current tax</i>				
Current tax on income for the period	5,719		11,019	
Adjustments in respect of prior periods	(150)		(536)	
	<u>5,569</u>		<u>10,483</u>	
<i>Deferred tax</i>				
Origination and reversal of timing differences	2,599		(1,216)	
Effect of change in tax rate	186		-	
Adjustment in respect of prior years	144		(23)	
	<u>2,929</u>		<u>(1,239)</u>	
Total charge for the period		<u>8,498</u>		<u>9,244</u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the period

The tax charge is reconciled with the standard rates of UK corporation tax as follows:

	52 weeks 2016	52 weeks 2015 Restated
	£000	£000
Profit before tax	34,653	42,560
Current tax at 20% (52 weeks ended 29 March 2015: 21%)	6,931	8,938
Effects of:		
Expenses not deductible for tax purposes	1,355	984
Capital allowances for period in excess of depreciation and other timing differences	32	155
Adjustments to tax charge in respect of previous period	(6)	(559)
Overseas rate adjustment	186	(274)
Total tax charge for the period	8,498	9,244

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

Non-underlying items

The tax effect of the non-underlying items referred to in note 2 is disclosed as non-underlying. Within this non-underlying taxation charge is a credit of £Nil relating to prior years (2015: £162,000).

Notes (continued)

8 Property, plant and equipment

	Short leasehold property £000	Fixtures and equipment £000	Total £000
Cost			
At beginning of period (restated)	45,746	94,825	140,571
Additions	14,559	26,311	40,870
Acquired from group undertakings	2,353	5,385	7,738
Disposals	(1,011)	(867)	(1,878)
At end of period	61,647	125,654	187,301
Depreciation			
At beginning of period (restated)	38,606	56,763	95,369
Charge for the period	846	14,397	15,243
On disposal	(1,011)	(867)	(1,878)
At end of period	38,441	70,293	108,734
Net book value			
At 27 March 2016	23,206	55,361	78,567
At 29 March 2015 (restated)	7,140	38,062	45,202

9 Intangible assets

	Goodwill £000	Favourable leases £000	Trademarks £000	Software £000	Total £000
Cost					
At beginning of period (restated)	-	-	115	4,711	4,826
Additions – externally purchased	-	-	8	1,827	1,835
Transfer from group undertakings	-	-	-	189	189
Acquisitions	71,537	910	-	-	72,447
At end of period	71,537	910	123	6,727	79,297
Amortisation					
At beginning of period (restated)	-	-	42	3,035	3,077
Amortisation for the period	-	96	25	924	1,045
At end of period	-	96	67	3,959	4,122
Net book value					
At 27 March 2016	71,537	814	56	2,768	75,175
At 29 March 2015 (restated)	-	-	73	1,676	1,749

Notes (continued)

10 Investments in subsidiaries

	2016 £000	2015 £000
Shares in subsidiary undertakings, at cost	168	168
Less: Impairment provision	(168)	(168)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The Company's subsidiary undertakings at the period end are:

	Principal activity	Country of incorporation	Proportion of ordinary shares held %
M & O Business Systems Limited	Dormant	England	100
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 Limited	Investment company	England	100
Sheptonview Limited	Dormant	England	100
Dealz Espana SL	Value retailer	Spain	100
Dealz Retailing Ireland Limited	Dormant	Republic of Ireland	100

All subsidiaries incorporated in the United Kingdom are registered at Wellmans Road, Willenhall, West Midlands, WV13 2QT.

Poundland Far East Limited's registered address is: Suite 701, 168 Queen's Road Central, Hong Kong.

Dealz Espana SL's registered address is: B86867515, Calle Bravo, Murillo 192, Madrid, Spain.

Dealz Retailing Ireland Limited's registered address is: Unit 3, Westend Retail Park, Blanchardstown, Dublin 15, Republic of Ireland.

11 Inventories

	2016 £000	2015 £000
Goods purchased for resale	135,571	105,371
Goods in transit	12,440	7,840
	<u> </u>	<u> </u>
	148,011	113,211
	<u> </u>	<u> </u>

Goods in transit relates to imported stock on water not yet received into distribution centres and not yet available for sale.

Notes (continued)

12 Acquisition of trade and assets from group undertaking

Following the acquisition of the entire share capital of 99p Stores Limited by Poundland Group plc on 28 September 2015, the Group commenced a rebranding programme on 7 October 2015. This consisted of a transfer of the trade and assets from 99p Stores Limited to Poundland Limited. The process is incremental and ongoing and comprises the rebranding of stores and the legal assignment of leases. During the period, the transfer of trade and assets of 188 units was completed.

Total consideration of £13.1 million was transferred in relation to the whole rebranding programme, of which £10.4 million relates to units completed during the current financial period.

Once rebranded, the converted 99p Stores contributed £50.3 million to Company revenue and £1.9 million to underlying profit before tax.

Acquisition related costs

The Company incurred costs of £4.7 million in relation to the rebranding programme.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	£000
Property, plant and equipment	7,738
Intangible assets	1,099
Inventories	12,425
Trade and other receivables	9,088
Cash and cash equivalents	2,165
Interest bearing loans and other borrowings	(19,525)
Provisions	(4,127)
Trade and other payables	(69,963)
Deferred tax liability	(30)
Total identifiable net liabilities assumed	(61,130)

Notes (continued)

12 Acquisition of trade and assets from group undertaking (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation techniques
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Off-market leasing arrangements	The fair value of off market leasing arrangements have been assessed by external third parties. They have compared contractual lease payments to current market rates, identified variances and quantified the resultant asset or liability taking into consideration the remaining portion of the lease.
Inventories	The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of distribution and sale.

Fair values measured on a provisional basis

Potential assets and liabilities relating to 99p Stores Limited tax affairs continue to be assessed and the amounts cannot yet be reliably measured. The Group expects to be in a position to estimate these amounts and therefore recognise the fair value of the assets and liabilities relating to these matters within 12 months following the date of acquisition. The outcome of this may impact the consideration paid by Poundland Limited for the trade and assets acquired.

If further information is obtained within one year of the acquisition date, about facts and circumstances existing at that date which identifies adjustments to the amounts already recognised, then the accounting for the acquisition will be revisited.

Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	£000
Consideration transferred	10,407
Fair value of identifiable net liabilities assumed	(61,130)
	<hr/>
Goodwill	71,537
	<hr/>

The goodwill is attributable mainly to the locational and purchasing synergies expected to be achieved from transferring the stores to Poundland Limited. None of the goodwill recognised is expected to be deductible for tax purposes. As the remainder of the stores are transferred in the next financial period, the goodwill attributable to them will be recognised.

Notes (continued)

12 Acquisition of trade and assets from group undertaking (continued)

Impairment

An impairment test is a comparison of the carrying value of the assets of a business or CGU to their recoverable amount. The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. Where the recoverable amount is less than the carrying value, an impairment results. During the year, all goodwill was tested for impairment, with no impairment charge resulting (2015: No impairment).

In assessing the value in use, the four year business plan was used to provide cash flow projections to the period ended March 2020. The cash flow projections are subject to key assumptions in respect of discount rates and achievement of future revenue and EBITDA growth. The Directors have reviewed and approved the assumptions inherent in the model as part of the annual budget process using historic experience and considering economic and business risks facing the Company.

In assessing the Company's value in use a pre-tax discount rate of 10.5% (2015: 12.1%) has been applied.

The calculated value in use significantly exceeded the carrying value of goodwill and no further sensitivity calculations were necessary to conclude there was no impairment.

13 Trade and other receivables

	2016 £000	Restated 2015 £000
Trade receivables	11,315	4,662
Amounts owed by Group undertakings	15,666	38,548
Prepayments and accrued income	17,099	20,605
	<u>44,080</u>	<u>63,815</u>

Amounts owed by group undertakings are non-interest bearing and are repayable on demand.

14 Trade and other payables

	2016 £000	Restated 2015 £000
Trade payables	132,630	81,862
Other taxation and social security	15,214	14,096
Amounts owed to Group undertakings	69,061	640
Group relief payable	4,091	587
Other payables	8,338	5,331
Accruals and deferred income	45,568	41,635
	<u>274,902</u>	<u>144,151</u>

Of the amounts owed to group undertakings, £3.6 million is interest bearing at a rate of LIBOR plus 4%. The remaining amounts owed to group undertakings are non-interest bearing and are repayable on demand.

Notes (continued)

15 Non-current liabilities

	2016 £000	Restated 2015 £000
Accruals and deferred income	23,865	19,510
	<u>23,865</u>	<u>19,510</u>

16 Deferred tax

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:

	£000
Deferred tax asset at beginning of period - restated	1,842
Recognised in the income statement	(2,928)
Recognised in other comprehensive income	1,415
Arising on acquisition	(30)
Deferred tax asset at end of period	<u>299</u>

	2016 £000	2015 £000
Property, plant and equipment	(1,717)	2,343
Intangible assets	(147)	-
Other financial assets	(1,563)	(2,400)
Trade and other payables	3,020	1,761
Other financial liabilities	706	138
Deferred tax asset	<u>299</u>	<u>1,842</u>

Notes (continued)

17 Provisions

	2016	2015 Restated
	£000	£000
At beginning of period	661	925
Provisions made during the period	1,540	734
Arising from acquisition	4,127	-
Provisions utilised during the period	(128)	(832)
Provisions reversed during the period	(1,801)	(166)
	<u>4,399</u>	<u>661</u>
Non-current	1,791	137
Current	2,608	524
	<u>4,399</u>	<u>661</u>

Provisions are property related provisions and consist of costs associated with vacant properties, outstanding rent reviews and market rent adjustments.

18 Share capital

	2016	2015
	£000	£000
<i>Allotted, called up and fully paid:</i>		
50,000 ordinary shares of £1 each	50	50
	<u>50</u>	<u>50</u>

19 Share based payments

The Company benefits from share award plans which grant its employees options over shares in the ultimate parent company, Poundland Group Plc. These schemes are equity settled by Poundland Group Plc.

The Performance Share Plan (PSP)

The PSP was adopted by the directors on 27 February 2014. All employees of the Company are eligible to participate in the PSP at the discretion of the Remuneration Committee. The first issue of awards was made on 17 March 2014. All awards were granted for nil consideration. Further awards were made on 4 July 2014 and 19 June 2015.

A summary of the rules for this scheme and the related performance conditions are set out in the Directors' Remuneration report of Poundland Group Plc.

The Restricted Stock Plan (RSP)

The RSP was adopted by the Directors on 27 February 2014. Awards over ordinary shares in Poundland Group Plc are granted subject only to continued employment. There are no performance conditions attached to the award.

All employees of the Company (other than Executive Directors and members of the Executive Committee) are eligible to participate in the RSP at the discretion of the Remuneration Committee.

Initial RSP awards were made on 17 March 2014 with further awards made on 4 July 2014. Other than these awards, the intention is that RSP awards will only be made in special or unusual circumstances. All awards were granted for nil consideration.

The RSP awards will usually vest three years after the date of grant. Vested share awards will be released to participants automatically within 30 days of the vesting date.

Notes (continued)

19 Shared based payments (continued)

The Company Share Option Plan (CSOP)

The CSOP was adopted by the Directors on 27 February 2014. Under the CSOP, the Directors may grant to eligible employees options to acquire Ordinary Shares in Poundland Group Plc at an exercise price which may not be less than the market value of an Ordinary Share in Poundland Group Plc on the date of grant.

All employees of the Company are eligible to participate in the CSOP at the discretion of the Directors.

The CSOP options may be subject to performance conditions, however, the initial award made on 18 March 2014 together with awards made on 4 July 2014 and 19 June 2015, did not have any related performance conditions. All rewards were granted for nil consideration.

A CSOP option will normally only be exercisable from the third anniversary of the date of grant and when all conditions applying to it have been satisfied. No dividends are paid on shares awarded.

For the 52 weeks ended 27 March 2016

	PSP		RSP		CSOP	
	Weighted average exercise price (£)	Number of options (000)	Weighted average exercise price (£)	Number of options (000)	Weighted average exercise price (£)	Number of options (000)
Outstanding at 29 March 2015	-	1,254	-	296	3.73	1,002
Granted during the period	-	1,171	-	-	3.01	1,421
Cancelled during the period	-	(324)	-	(69)	3.30	(470)
Outstanding at 27 March 2016	-	2,101	-	227	3.33	1,953

The fair value of services received in return for share options granted are measured by reference to the fair value of the share options granted. The PSP and RSP awards are valued at 100% of the share price at the date of grant.

The fair value of CSOP awards is measured using the Black-Scholes valuation model. Measurement inputs and assumptions are as follows:

	2016	2015
Share price at grant date	£3.12	£3.38
Fair value at grant date	70.50p	81.97p
Exercise price	£3.01	£3.42
Expected volatility	29.3%	31.7%
Option life (years)	10	10
Expected life (years)	4	4
Expected dividend yield	1.44%	1.08%
Risk-free interest rate (based on national government bonds)	1.1%	1.6%

As the parent company has recently listed, there is a restricted history of share price movements. The expected volatility is therefore a proxy volatility figure, which has been derived as the average volatility of FTSE 250 companies within the General Retailers sector over the four years prior to grant date (i.e. the period equivalent to the expected term).

The risk free rate is equivalent to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term.

CSOP awards are granted under a service condition. This is not taken into account in the grant date fair value measurement of the services received. The share based payments expense has been calculated using recent employee turnover levels.

Notes (continued)

19 Shared based payments (continued)

Save As You Earn (SAYE)

Poundland Group plc operates a savings related share options scheme which was open to all UK and Republic of Ireland employees with more than three months' continuous service. This is an approved HMRC Scheme and was established during the prior period. Under the SAYE scheme, participants remaining in the Group's employment at the end of the three-year savings period are entitled to use their savings to purchase shares in the Group at a stated exercise price. Under restricted circumstances, employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving.

At 27 March 2016, employees held 1,398 three-year savings contracts with options over 1.6 million shares. A reconciliation of options movements is shown below:

	2016 Number of options 000's	2016 Weighted average exercise price Pence
Outstanding at beginning of period	1,297	2.50
Granted	462	2.76
Forfeited/Cancelled	(174)	2.52
	<hr/>	<hr/>
Outstanding at end of period	1,585	2.57
	<hr/>	<hr/>
Exercisable at end of period	-	-
	<hr/>	<hr/>

The weighted average remaining contractual life of share options outstanding at 27 March 2016 was 1.5 years. Details of options at 27 March 2016 are set out below:

Date of grant	Date of expiry	Exercise price £	Options outstanding
5 September 2014	1 November 2017	2.50	1,134
19 August 2015	1 November 2018	2.76	451

Options granted during the year were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted during the year and the assumptions used in the calculation are as follows:

	2016
Share price at grant date	£3.58
Fair value at grant date	105.62p
Exercise price	£2.76
Expected volatility	27.1%
Option life (years)	3.5
Expected dividend yield	1.26%
Risk free interest rate (based on national government bonds)	1.0%

As the parent company has recently listed, there is a restricted history of share price movements. The expected volatility is therefore a proxy volatility figure, which has been derived as the average volatility of FTSE 250 companies within the General Retailers sector over the three years prior to grant date (i.e. the period equivalent to the expected term).

The resulting fair value is expensed over the service period of three years on the assumption that, dependent upon the grade of the colleague, between 5 and 15 per cent of options will be cancelled over the service period as colleagues leave the SAYE scheme.

Notes (continued)

19 Share based payments (continued)

The total expense for share based payments recognised in the period is as follows:

	52 weeks 2016 £000	52 weeks 2015 £000
Equity settled share based payment expense	989	1,246

20 Operating lease commitments

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

	Land and buildings		Other	
	2016 £000	2015 £000 Restated	2016 £000	2015 £000 Restated
Operating leases which expire:				
Less than one year	104,829	86,885	5,256	4,670
Between one and five years	358,015	306,123	7,421	6,499
More than five years	244,943	230,628	-	-
	<u>707,787</u>	<u>623,636</u>	<u>12,677</u>	<u>11,169</u>

21 Capital commitments

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

	2016 £000	2015 £000
Contracted	8,349	3,271

22 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,610,000 (52 weeks ended 29 March 2015: £1,434,000). Contributions amounting to £258,000 (29 March 2015: £182,000) were payable to the scheme at the period end and are included in creditors.

23 Transactions with related parties

The Company has taken advantage of the exemption conferred by paragraph 8(j) of FRS 101 not to disclose transactions with other Group companies.

24 Contingent liabilities

The Company is party to cross guarantees given for bank loans and overdrafts of Poundland Holdings Limited and certain fellow Group companies amounting to £59,788,000 (29 March 2015: £6,903,000).

25 Ultimate parent company

The Company is a direct subsidiary undertaking of Poundland Holdings Limited and an indirect subsidiary of Poundland Group Plc which are both registered in England and Wales.

Notes *(continued)*

26 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the 52 weeks ended 27 March 2016, the comparative information presented in these financial statements for the 52 weeks ended 29 March 2015 and in the preparation of an opening FRS 101 statement of financial position at 30 March 2014 (the Company's date of transition).

In preparing its FRS 101 statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes (continued)

26 Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of equity

			30 March 2015 Effect of transition to		31 March 2014 Effect of transition to	
	Note	UK GAAP £000	FRS 101 £000	FRS 101 £000	UK GAAP £000	FRS 101 £000
Intangible assets – trademarks and software	9	-	1,749	1,749	-	1,779
Fixed assets						
Tangible fixed assets	8	59,092	(13,890)	45,202	53,906	41,675
Investments		-	-	-	-	-
		59,092	(12,141)	46,951	53,906	43,454
Current assets						
Stocks	11	113,211	-	113,211	90,061	90,061
Trade debtors	13	4,662	-	4,662	2,872	2,872
Amounts owed by group undertakings	13	38,548	-	38,548	49,484	49,484
Prepayments and accrued income	13	19,812	793	20,605	20,803	21,623
Corporation tax receivable		821	-	821	365	365
Other financial assets		-	11,550	11,550	-	519
Cash at bank and in hand		14,952	-	14,952	20,292	20,292
		192,006	12,343	204,349	183,877	185,216
Creditors: amounts due within one year						
Trade creditors	14	(81,862)	-	(81,862)	(62,482)	(62,482)
Amounts owed to group undertakings	14	(640)	-	(640)	(6,834)	(6,834)
Corporation tax		(3,085)	-	(3,085)	(3,803)	(3,803)
Other taxation and social security		(14,096)	-	(14,096)	(12,498)	(12,498)
Other creditors	14	(5,331)	-	(5,331)	(4,784)	(4,784)
Accruals and deferred income	14	(43,570)	1,935	(41,635)	(38,224)	(35,830)
Other financial liabilities	14	-	(574)	(574)	-	(5,110)
Group relief payable		(587)	-	(587)	(1,460)	(1,460)
Provisions	17	-	(524)	(524)	-	(925)
		(149,171)	837	(148,334)	(130,085)	(133,726)
Net current assets		42,835	13,180	56,015	53,792	51,490
Debtors: amounts falling due after more than one year						
Prepayments and accrued income	13	-	456	456	-	425
Other financial assets		-	451	451	-	-
		-	907	907	-	425
Creditors: amounts falling due after more than one year						
Amounts owed to group undertakings		-	-	-	(2,843)	(2,843)
Accruals and deferred income	15	(8,050)	(11,460)	(19,510)	(8,303)	(18,481)
Other financial liabilities		-	(117)	(117)	-	(1,555)
Provisions	17	-	(137)	(137)	-	(137)
		(8,050)	(11,714)	(19,764)	(11,146)	(23,016)
Provisions for liabilities						
Deferred tax asset/(liability)	16	(11)	1,853	1,842	(317)	4,160
Net assets		93,866	(7,915)	85,951	96,235	76,513
Capital and reserves						
Called up share capital	18	50	-	50	50	50
Capital contribution reserve		9,517	-	9,517	-	-
Cash flow hedge reserve		-	9,425	9,425	-	(4,811)
Profit and loss account		84,299	(17,340)	66,959	96,185	81,274
Shareholders' equity		93,866	(7,915)	85,951	96,235	76,513

Notes (continued)

26 Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of profit for 52 weeks ended 29 March 2015

	Note	UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000
Turnover		1,111,526	-	1,111,526
Cost of sales		(698,801)	-	(698,801)
Gross profit		412,725	-	412,725
Distribution costs	a	(330,566)	(3,025)	(333,591)
Administrative expenses		(36,585)	-	(36,585)
Other operating income		334	-	334
Operating profit		45,908	(3,025)	42,883
Interest receivable and similar income		74	-	74
Interest payable and similar charges	b	(60)	(337)	(397)
Profit on ordinary activities before taxation		45,922	(3,362)	42,560
Tax on profit on ordinary activities	c	(10,177)	933	(9,244)
Profit for the period		35,745	(2,429)	33,316

Notes to the reconciliation of profit

(a) Leases

Under old UK GAAP, operating lease incentives (capital contributions, premia paid and received and rent free periods) were recognised in the profit and loss account over the period to the first rent review. In accordance with FRS 101, lease incentives are now recognised over the full term of the lease. The resulting difference is included within underlying earnings.

(b) Derivative transactions

Under UK GAAP, foreign currency exchange contracts were not recognised on the balance sheet. In accordance with FRS 101, the Company now recognises all derivative transactions, measuring them at fair value. Hedge accounting is applied with the ineffective portion of the cash flow hedge being recognised in the profit and loss account. The effective portion is recognised in other comprehensive income and is then recycled to profit and loss when the contract expires.

(c) Reclassifications

The following presentational changes have been made as a result of the conversion to FRS 101:

- Software assets were presented as tangible fixed assets under old UK GAAP. Under FRS 101, they are presented as intangible assets.
- Trade and other receivables have been presented as either current or non-current assets as appropriate.
- Deferred tax liabilities are now presented as a separate line item within non-current liabilities. Under old UK GAAP, these were presented within provisions.
- Property provisions which were included within creditors less than one year under old UK GAAP are now presented separately within liabilities.
- Tax payable is now presented as a separate line item within current liabilities.

Notes *(continued)*

27 Events subsequent to the reporting date

On 16 September 2016, Poundland Group plc, the company's previous ultimate parent company, was acquired by the group headed by Steinhoff International Holdings N.V., a company registered in The Netherlands. From 16 September 2016, the Company's ultimate parent undertaking is Steinhoff International Holdings N.V.