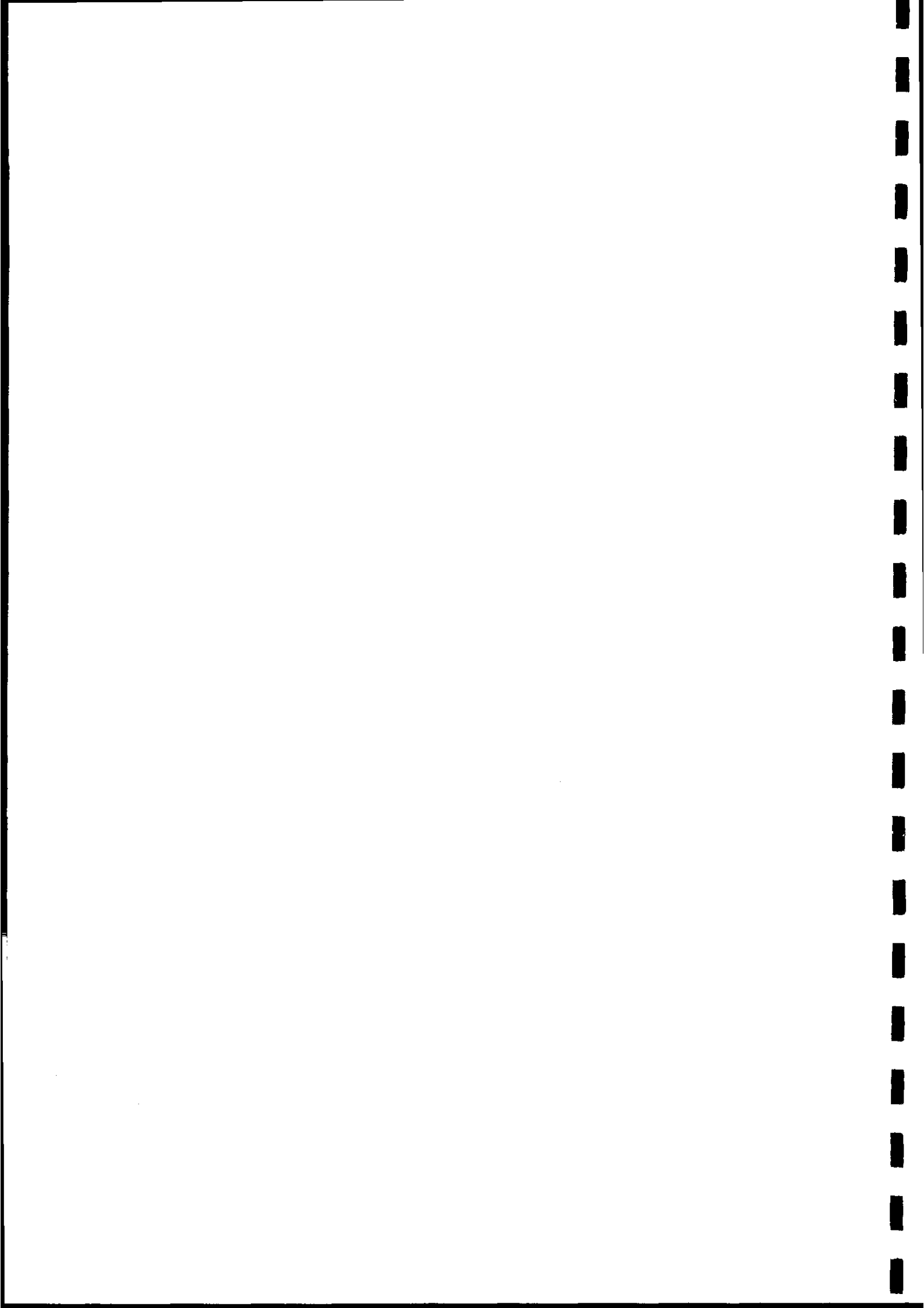


Poundland Limited
(formerly Poundland plc)

Annual Report and Accounts

2003





Poundland Limited
(formerly Poundland plc)

Contents

Business overview	3
Directors' report	5
Statement of directors' responsibilities	7
Independent Auditor's report	8
Profit and loss account	9
Balance sheet	10
Cash flow statement	11
Notes to the financial statements	12

Registered number 2495645

Poundland Limited (formerly Poundland plc)

Business overview

I am pleased to report a period of record sales and profitability for the 65-week period ended 30 March 2003.

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.

Acquisition of the company

On 11 June 2002 the company was acquired by Poundland Willenhall Limited, a subsidiary of Poundland Holdings Limited. This transaction provides the resources necessary for the rapid growth of the Poundland concept over the next few years.

Following this transaction, there are three main companies within the Poundland group. Poundland Holdings Limited is the holding company of the new 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 are dormant.

The company changed its year-end to March, to align its year-end with that of Poundland Holdings Limited. These financial statements therefore cover a 65-week period.

Results

Turnover, net of VAT, for the period was £192.9 million. This represents an overall increase of 11.9% on the pro-forma comparable length previous period. This incorporates a 2.8% increase in 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 gross profit earned during the period has increased to 34.9% of turnover (2001: 34.3%), as the proportion of product that we import grows and as we achieve economies of scale from our greatly increased volumes.

The major factor behind the increase in the cost base of the business is the increasing number of stores in our portfolio. Strong cost control has led to the underlying cost increases experienced by the business being below inflation. Our central distribution facility is working well, operates with very high standards and is able to handle the increasing volumes of the business with only modest increases in costs. As a result operating costs have reduced to 31.5% of turnover (2001: 31.9%)

With both like-for-like sales and the gross margin percentage increasing, and with costs under strong control, operating profit before exceptional items has increased to £6.5m (2001: £3.4m). Comparison with the previous year's performance is difficult given the change in the year-end and the consequent different length financial periods. However, the current period's performance is more than double that achieved in the comparable length previous period and is the largest profit that the company has ever made.

New stores

The growth in the number of stores continued during the period under review. Nine new stores were opened in varying locations across England and Wales and one store was relocated to a better site within the same town. Two stores were closed, one of which had been occupied on only a short-term licence and the other's lease came to an end. At the end of the year we traded from 80 stores, located throughout England and Wales.

All of our new stores have a modern shopfit, which displays a strong corporate image.

Poundland Limited
(formerly Poundland plc)

Business overview (continued)

Finances

During the period the company generated cash of £7.0 million from operating activities. This was principally used to fund capital expenditure of £3.1 million, mainly on new stores, and a corporation tax bill of £2.2 million. Overall the company generated net cash before financing of £1.6 million and finished the period with cash in hand of £3.4 million.

In addition to these cash balances 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.

Directors and staff

Upon the change of ownership of the company on 11 June 2002 referred to above, Steve Smith, one of the co-founders of the business, resigned as a director. We all wish him well for the future.

On the same day Colin Smith (no relation) joined the Board as Chairman. He brings with him a considerable experience of retailing from his time as Chief Executive of Safeway plc.

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

Outlook

We now have the resources to implement our ambitious plan for growth. The forthcoming year will see a considerable number of new stores opening, which will include our first in Scotland. We are currently performing ahead of the comparable period last year, which leads us to look forward to the future with confidence.



Dave Dodd
Chief Executive Officer

28 May 2003

Poundland Limited
(formerly Poundland plc)

Directors' report

The directors present their annual report and the audited financial statements for the 65 weeks ended 30 March 2003.

Principal activity and business review

The principal activity of the company is that of homeware and toy retailers. The overview on pages 3 to 4 gives a full review of the business for the period.

On 11 June 2002 the company was acquired by Poundland Willenhall Limited, a member of the Poundland Holdings Limited Group.

Change of Name

On 6 June 2002, the company changed its name from Poundland plc to Poundland Limited.

Results and dividends

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

The directors do not recommend the payment of a dividend (2001: £Nil). The retained profit for the period has been added to reserves.

Directors and their interests

The directors who held office during the period and their interests in the share capital of the company at 30 March 2003 were as follows:

	Ordinary shares	
	30 March 2003	30 December 2001
D P Dodd	Nil	Nil
G Oldridge	Nil	Nil
R F Adams	Nil	Nil
N M Peckham	Nil	Nil
C D Smith (appointed 11 June 2002)	Nil	Nil
P Baker (resigned 25 February 2002)	Nil	Nil
S K Smith (resigned 11 June 2002)	<u>Nil</u>	<u>24,500</u>

On 11 June 2002, D P Dodd exercised 7,500 options over ordinary £1 shares of the company. At 30 March 2003 no options over the ordinary shares of the company remain outstanding.

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
G Oldridge	40,511
N M Peckham	<u>40,511</u>

G Oldridge and N M Peckham both have options over 11,619 of the authorised 'C' ordinary share capital of Poundland Holdings Limited.

The interests of D P Dodd, R F Adams 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.

Poundland Limited
(formerly Poundland plc)

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.

Supplier payment policy

Provided that a supplier is complying with the relevant terms and conditions, including prompt and complete submission of all specified documentation, payment will be made in accordance with these agreed terms. 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 19 days (2001: 35 days) at the period end.

Auditors

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

By order of the board,



R F Adams
Secretary

Wellmans Road
Willenhall
West Midlands
WV13 2QT

28 May 2003

Poundland Limited
(formerly Poundland plc)

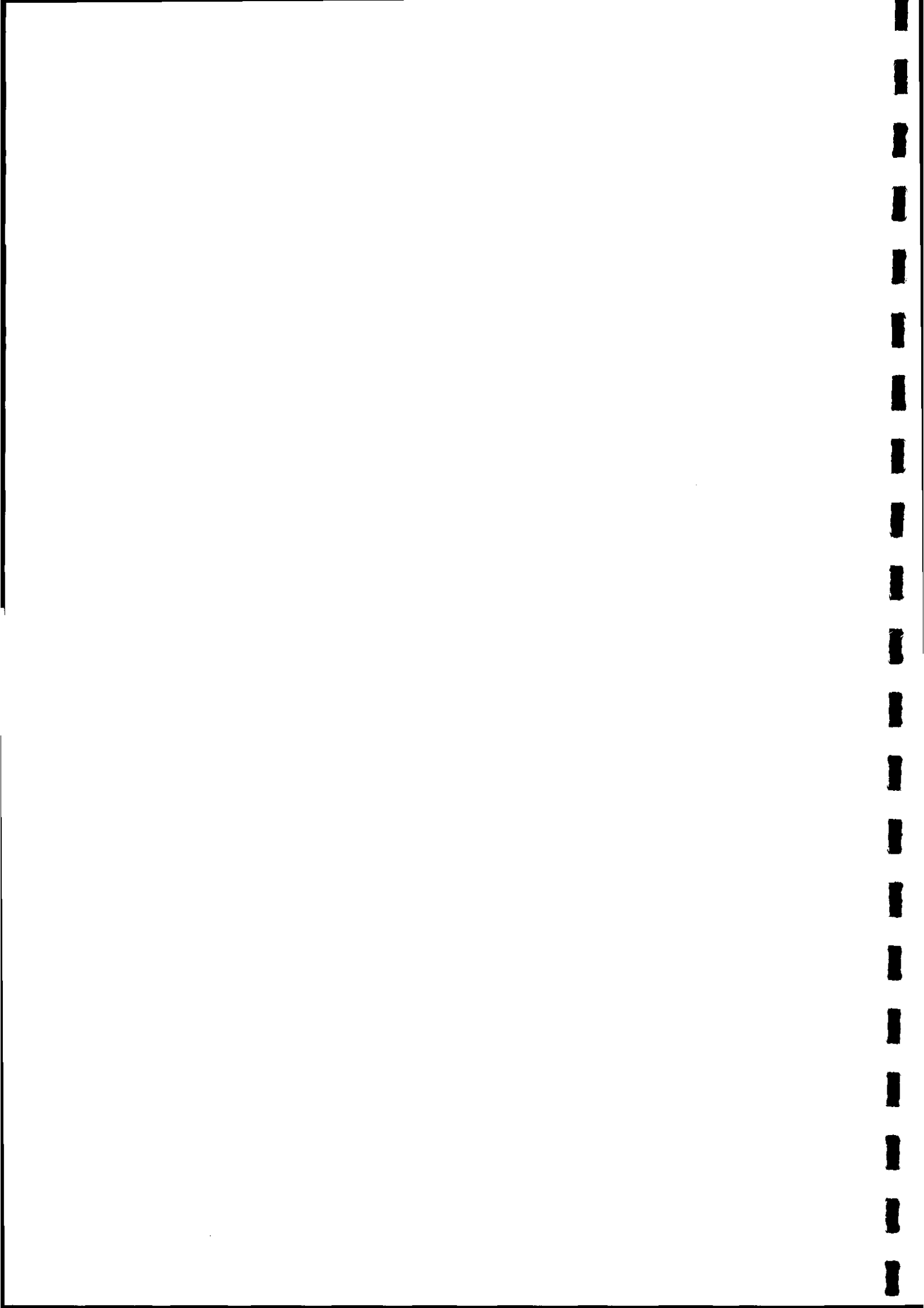
Statement of directors' responsibilities

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

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

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

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



Independent auditors' report to the members of Poundland Limited

We have audited the financial statements on pages 9 to 21.

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 are responsible for preparing the directors' report and, as described on page 7, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

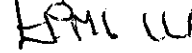
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 March 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditor

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

28 May 2003

Poundland Limited
(formerly Poundland plc)

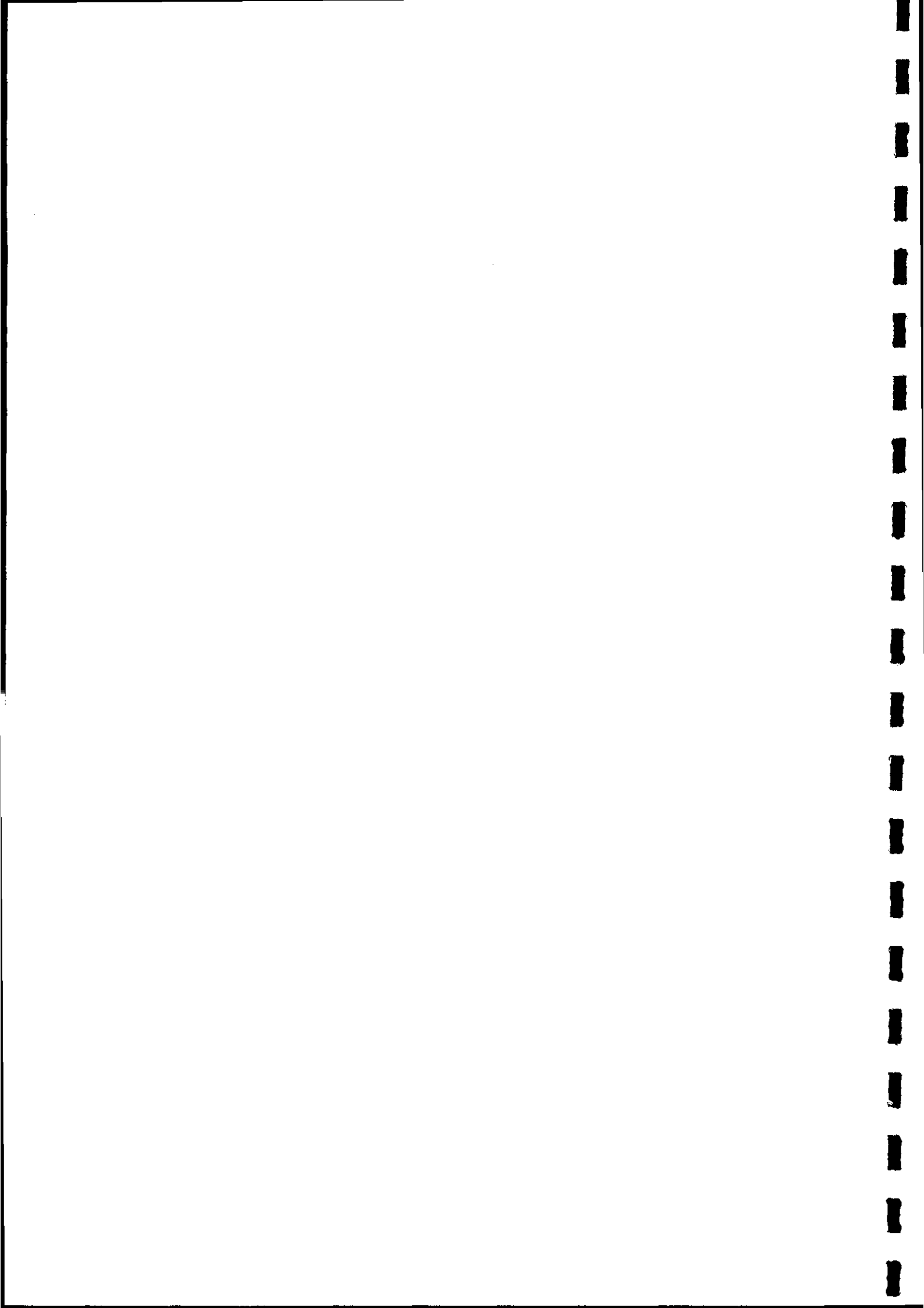
Profit and loss account

65 weeks ended 30 March 2003 (52 weeks ended 30 December 2001)

	<i>Note</i>	2003 £'000	2001 £'000
Turnover	<i>1</i>	192,905	138,639
Cost of sales		(125,658)	(91,034)
Gross profit		67,247	47,605
Distribution costs		(50,186)	(37,099)
Administrative expenses		(10,571)	(7,117)
Operating profit before exceptional items	<i>2</i>	6,490	3,389
Exceptional item	<i>2</i>	(1,495)	-
Operating profit	<i>2</i>	4,995	3,389
Net interest payable	<i>5</i>	(124)	(451)
Profit on ordinary activities before taxation		4,871	2,938
Taxation on profit on ordinary activities	<i>6</i>	(1,106)	(1,138)
Retained profit for the financial period	<i>16</i>	3,765	1,800

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 period.



Poundland Limited
(formerly Poundland plc)

Balance sheet

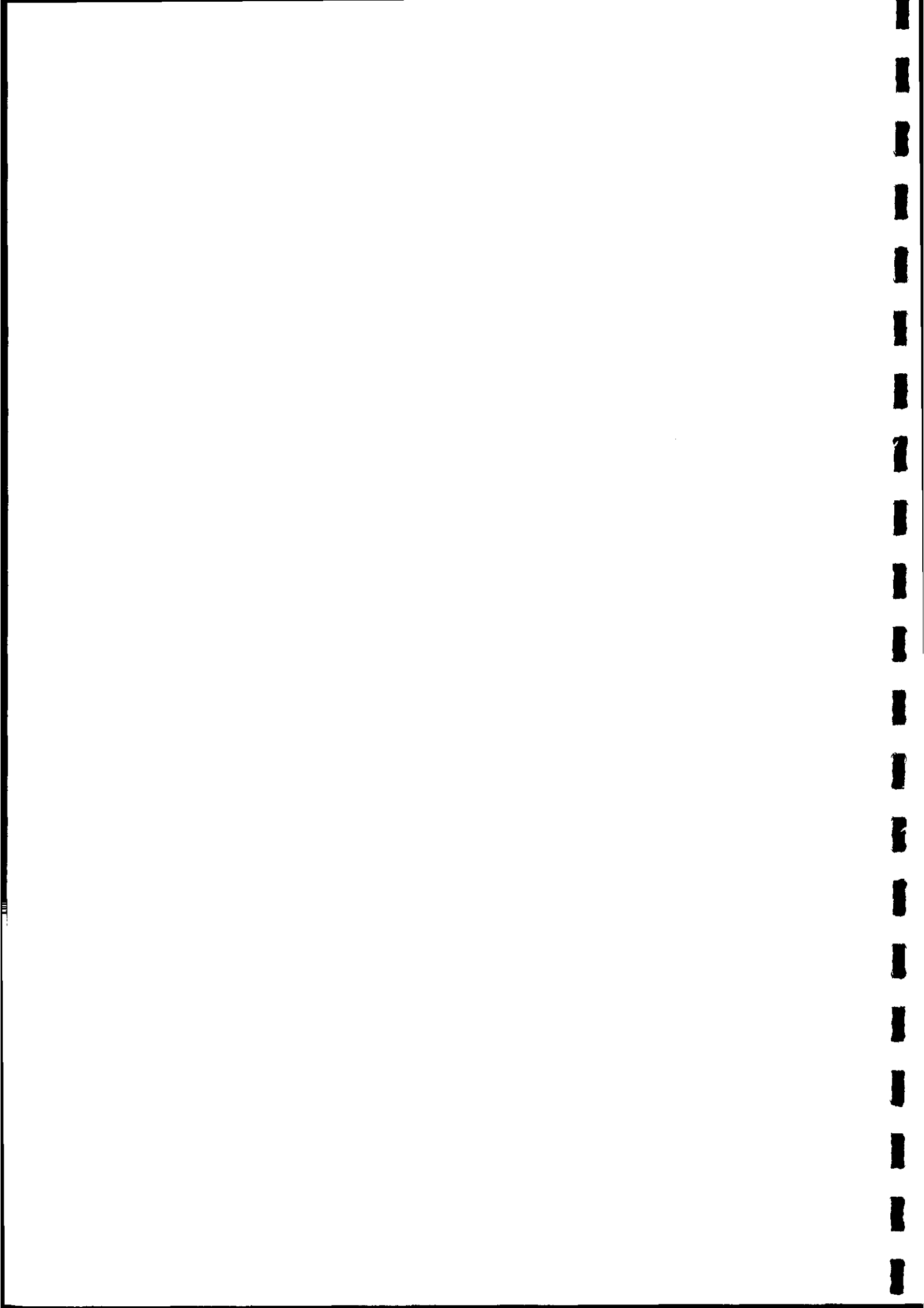
As at 30 March 2003 (30 December 2001)

	<i>Note</i>	2003 £'000	2001 £'000
Fixed assets			
Tangible assets	7	9,696	9,622
Investments	8	-	-
		<hr/>	<hr/>
		9,696	9,622
Current assets			
Stocks	9	11,095	9,730
Debtors	10	3,268	4,018
Cash at bank and in hand		3,398	2,308
		<hr/>	<hr/>
		17,761	16,056
Creditors: amounts falling due within one year	11	(15,821)	(17,190)
		<hr/>	<hr/>
Net current assets/(liabilities)		1,940	(1,134)
		<hr/>	<hr/>
Total assets less current liabilities		11,636	8,488
Creditors: amounts falling due after more than one Year	12	(956)	(1,609)
Provisions for liabilities and charges	14	(236)	(237)
		<hr/>	<hr/>
Net assets		10,444	6,642
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	50	13
Profit and loss account	16	10,394	6,629
		<hr/>	<hr/>
Equity shareholders' funds	17	10,444	6,642
		<hr/>	<hr/>

The financial statements on pages 9 to 21 were approved by the Board of Directors on 28 May 2003 and signed on its behalf by:



R F Adams
Director



Poundland Limited
(formerly Poundland plc)

Cash flow statement

65 weeks ended 30 March 2003 (52 weeks ended 30 December 2001)

	<i>Note</i>	2003 £'000	2001 £'000
Net cash inflow from operating activities	20	6,997	3,383
Returns on investments and servicing of finance	21	(124)	(451)
Taxation		(2,152)	(72)
Capital expenditure	21	(3,116)	(2,865)
Net cash inflow/(outflow) before financing		1,605	(5)
Financing	21	(515)	(305)
Increase/(decrease) in cash in the period		1,090	(310)

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

65 weeks ended 30 March 2003 (52 weeks ended 30 December 2001)

	2003 £'000	2001 £'000
Increase/(decrease) in cash in the period	1,090	(310)
Cash outflow from decrease in debt and lease financing	552	305
Change in net funds resulting from cash flows	1,642	(5)
Net funds at 30 December 2001	1,056	1,061
Net funds at 30 March 2003	22	1,056

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

Poundland Limited
(formerly Poundland plc)

Notes to the financial statements
for the 65 weeks ended 30 March 2003

1 Principal accounting policies

The financial statements for the company have been prepared in accordance with all applicable accounting standards, which have been applied, except as noted below, on a consistent basis to the previous year.

The company has adopted FRS 19 'Deferred Tax' in these financial statements. This has had no impact on the comparative result.

Basis of preparation

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

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%-15%
Plant and equipment	15%-33%
Motor vehicles	25%
Fixtures and fittings	15%

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

Finance leases and hire purchase contracts

Assets acquired under finance leases and similar hire purchase contracts are recorded in the balance sheet as tangible fixed assets and are depreciated over their estimated useful lives or the terms of the 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.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

Notes to the financial statements (continued)

1 Principal accounting policies (continued).

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

Investments are stated at cost less provision for impairment where in the opinion of the directors there has been a diminution in value of the investment.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Store development costs

New store opening costs are charged to the profit and loss account as incurred. No interest is capitalised on new store developments.

2 Operating profit

	2003 £'000	2001 £'000
Operating profit is stated after charging:		
Auditors' remuneration:		
Audit work	30	30
Non-audit work	65	19
Payments under operating leases:		
Hire of plant and equipment	898	731
Other	11,931	7,954
Depreciation	3,037	2,303
Exceptional item	1,495	-

The exceptional item represents revenue costs which arose as a consequence of the acquisition of Poundland Limited by Poundland Willenhall Limited

3 Directors' remuneration

	2003 £'000	2001 £'000
Directors' emoluments	1,446	685
Company contributions to defined contribution pension schemes	78	82
	<u>1,524</u>	<u>767</u>

Notes to the financial statements (continued)

3 Directors' remuneration (continued)

Highest paid director	2003 £'000	2001 £'000
Director's emoluments	703	210
Company contributions to defined contribution pension scheme	23	18
	<hr/>	<hr/>
	726	228
	<hr/>	<hr/>

Four directors (2000: six) were members of defined contribution pension schemes.

4 Employee information

The average number of persons (including directors) employed by the company during the period, analysed by category, were as follows:

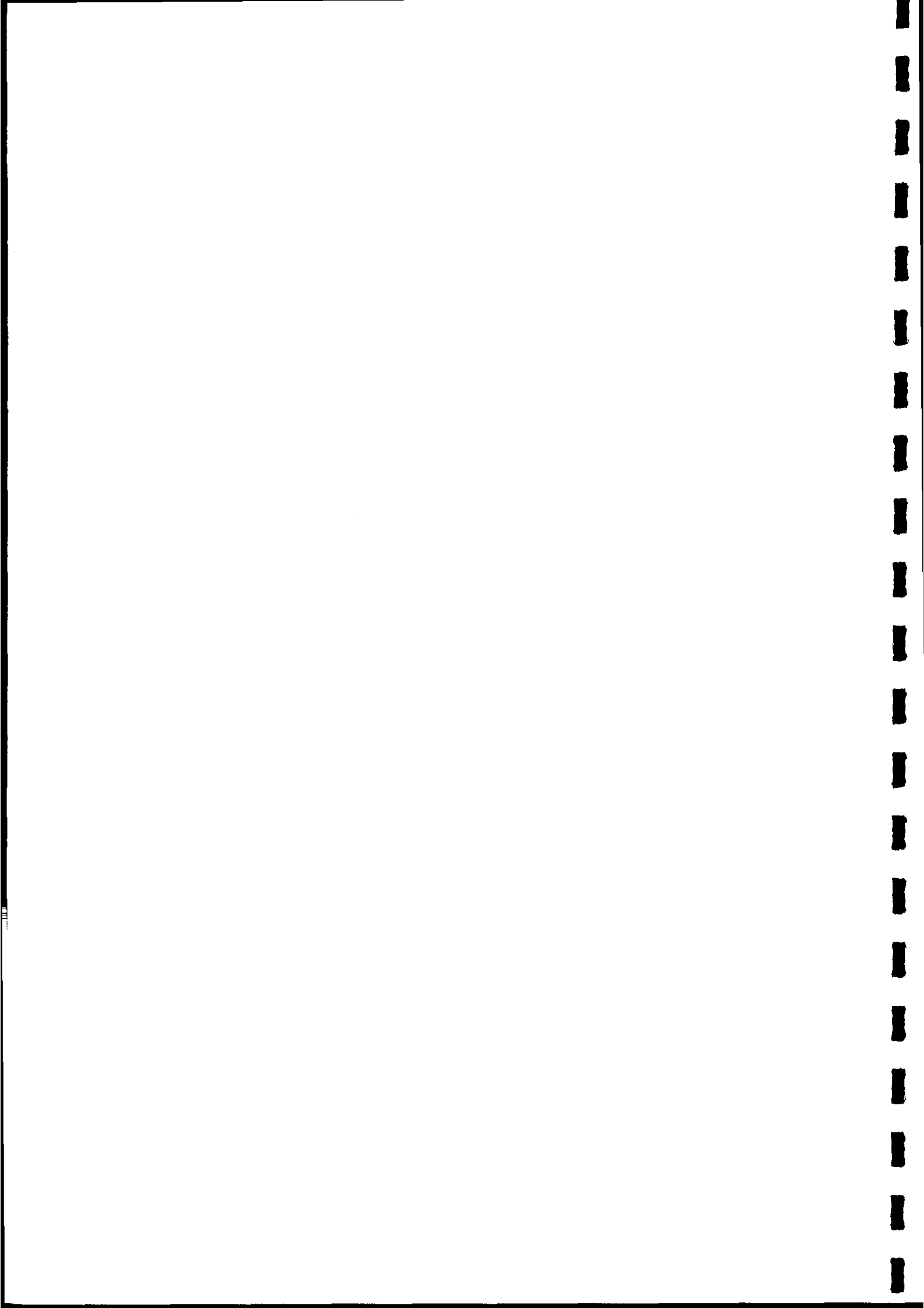
	2003 Number	2001 Number
Administration	130	110
Selling and distribution	2,322	2,352
	<hr/>	<hr/>
	2,452	2,462
	<hr/>	<hr/>

The payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	28,692	20,589
Social security costs	2,062	1,448
Other pension costs	321	225
	<hr/>	<hr/>
	31,075	22,262
	<hr/>	<hr/>

5 Net interest payable

	2003 £'000	2001 £'000
Interest payable		
On bank loans and overdrafts	119	408
On finance leases	62	49
	<hr/>	<hr/>
	181	457
	<hr/>	<hr/>
Interest receivable	(57)	(6)
	<hr/>	<hr/>
	124	451
	<hr/>	<hr/>



Poundland Limited
(formerly Poundland plc)

Notes to the financial statements (continued)

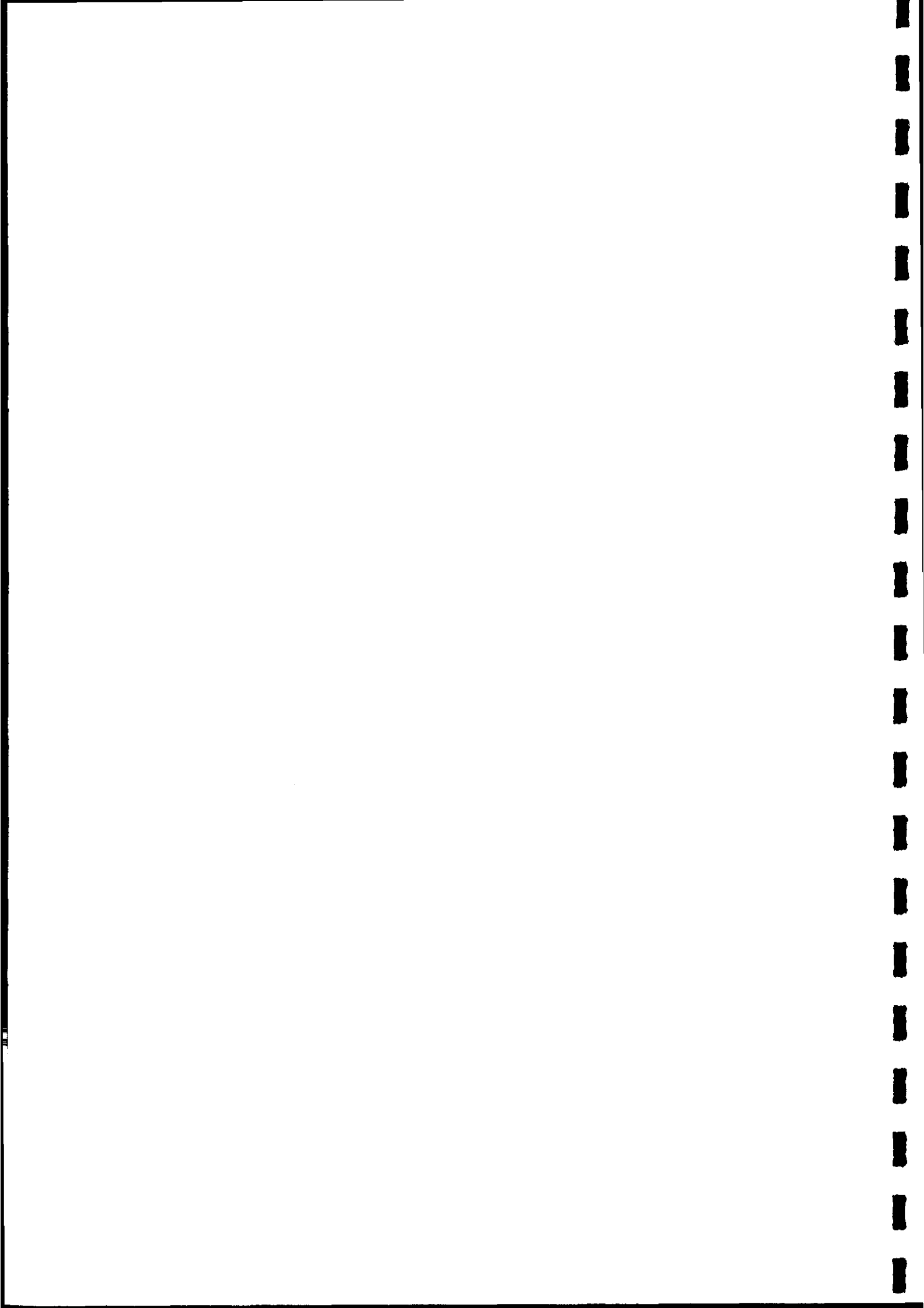
6 Taxation on profit on ordinary activities

	2003 £'000	2001 £'000
Analysis of charge in period		
<i>UK corporation tax</i>		
Current tax on income for the period	(1,092)	(1,066)
Adjustments in respect of prior periods	(15)	-
	<hr/>	<hr/>
Total current tax	(1,107)	(1,066)
<i>Deferred tax (see note 14)</i>		
Origination/reversal of timing differences	47	(22)
Adjustments in respect of prior periods	(46)	(50)
	<hr/>	<hr/>
	1	(72)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(1,106)	(1,138)
	<hr/>	<hr/>

Factors affecting the current tax charge for the period

The current tax charge for the period is lower (2001: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2003 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,871	2,938
	<hr/>	<hr/>
Current tax at 30%	(1,461)	(881)
<i>Effects of:</i>		
Group relief received	670	-
Expenses not deductible for tax purposes	(347)	(207)
Capital allowances for period in excess of depreciation and other timing differences	46	22
Adjustments to tax charge in respect of previous periods	(15)	-
	<hr/>	<hr/>
Total current tax charge	(1,107)	(1,066)
	<hr/>	<hr/>



Poundland Limited
(formerly Poundland plc)

Notes to the financial statements (continued)

7 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 30 December 2001	493	4,785	5,860	5,298	1,205	17,641
Additions	-	951	1,485	696	-	3,132
Disposals	-	(14)	(2)	(34)	(149)	(199)
At 30 March 2003	493	5,722	7,343	5,960	1,056	20,574
Depreciation						
At 30 December 2001	19	1,445	2,744	2,972	839	8,019
Charge for the period	12	902	965	915	243	3,037
Disposals	-	(4)	(1)	(28)	(145)	(178)
At 30 March 2003	31	2,343	3,708	3,859	937	10,878
Net book value						
At 30 March 2003	462	3,379	3,635	2,101	119	9,696
At 30 December 2001	474	3,340	3,116	2,326	366	9,622

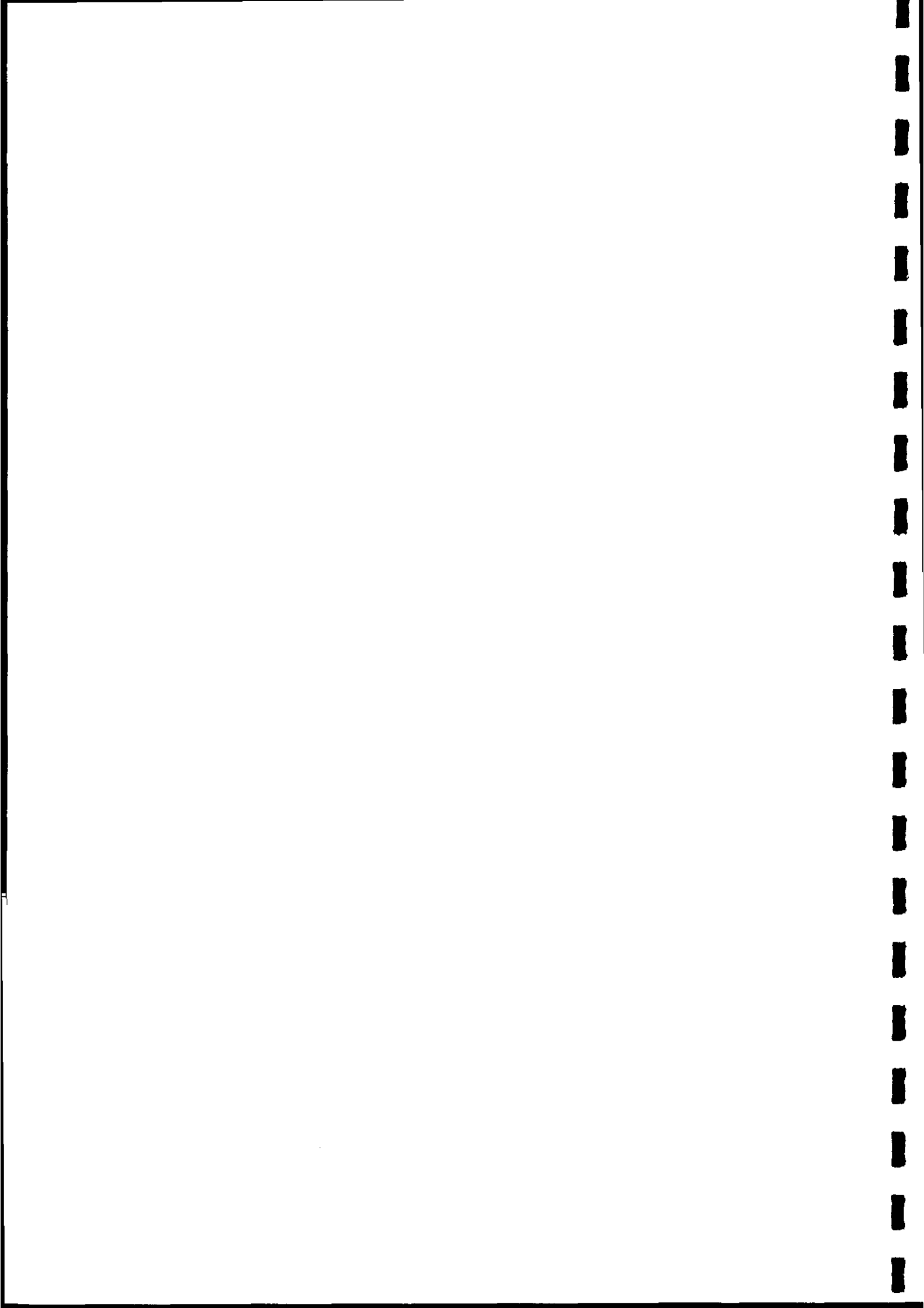
The net book value of plant and equipment includes an amount of £718,000 (2001: £1,061,000) in respect of assets held under finance leases. Depreciation charged during the period in respect of these assets amounted to £343,000 (2001: £274,000).

The net book value of motor vehicles includes an amount of £7,500 (2001: £12,000) in respect of assets held under finance leases. Depreciation charged during the period in respect of these assets amounted to £4,500 (2001: £3,000).

8 Investments

	2003 £000	2001 £000
Shares in subsidiary undertakings, at cost	168	168
Less: impairment provision	(168)	(168)
	-	-

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

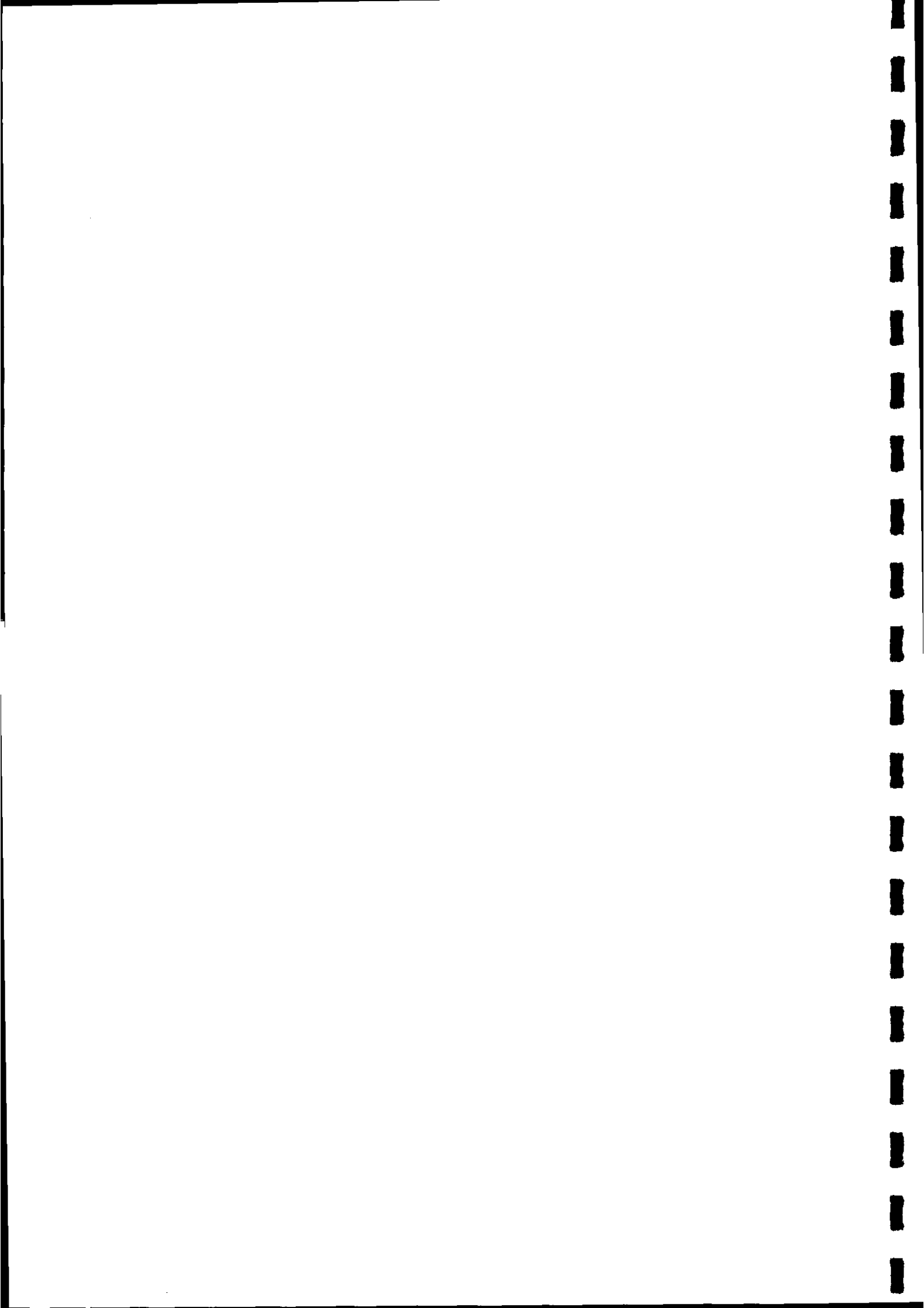


Poundland Limited
(formerly Poundland plc)

Notes to the financial statements (continued)

9	Stocks	2003 £'000	2001 £'000
	Goods purchased for resale	<u>11,095</u>	<u>9,730</u>
10	Debtors	2003 £'000	2001 £'000
	Trade debtors	63	151
	Amounts owed by group undertakings	147	132
	Other debtors	73	24
	Prepayments and accrued income	2,985	3,711
		<u>3,268</u>	<u>4,018</u>
11	Creditors: amounts falling due within one year	2003 £'000	2001 £'000
	Bank loan	-	23
	Obligations under finance leases	282	283
	Trade creditors	7,289	10,055
	Corporation tax	4	1,048
	Other taxation and social security	1,991	2,070
	Amounts owed to group undertakings	1,975	106
	Other creditors	1,249	917
	Accruals and deferred income	3,031	2,688
		<u>15,821</u>	<u>17,190</u>
12	Creditors: amounts falling due after more than one year	2003 £'000	2001 £'000
	Bank loan	-	175
	Obligations under finance leases	418	771
	Amounts owed to group undertakings	-	81
	Accruals and deferred income	538	582
		<u>956</u>	<u>1,609</u>

During the year the bank loan was settled when the company was acquired by Poundland Willenhall Limited.



Poundland Limited
(formerly Poundland plc)

Notes to the financial statements (continued)

13 Analysis of borrowings

	2003 Loans	2003 Finance leases	2001 Loans	2001 Finance Leases
	£'000	£'000	£'000	£'000
Amounts payable within 1 year	-	282	23	283
Between 1 and 2 years	-	282	23	282
Between 2 and 5 years	-	136	152	489
	-	700	198	1,054

14 Provisions for liabilities and charges

Deferred taxation

The company has adopted FRS19 'Deferred Tax' in these financial statements. Full provision has been made under the liability method for taxation deferred by accelerated capital allowances and other timing differences. The amounts involved are as follows:-

	2003 £'000
Deferred tax liability at beginning of period	237
Arising in the period	(1)
Deferred tax liability at the end of period	236

	2003 £'000	2001 £'000
Accelerated capital allowances	268	279
Other timing differences	(32)	(42)
Deferred tax liability	236	237

15 Called up share capital

Authorised

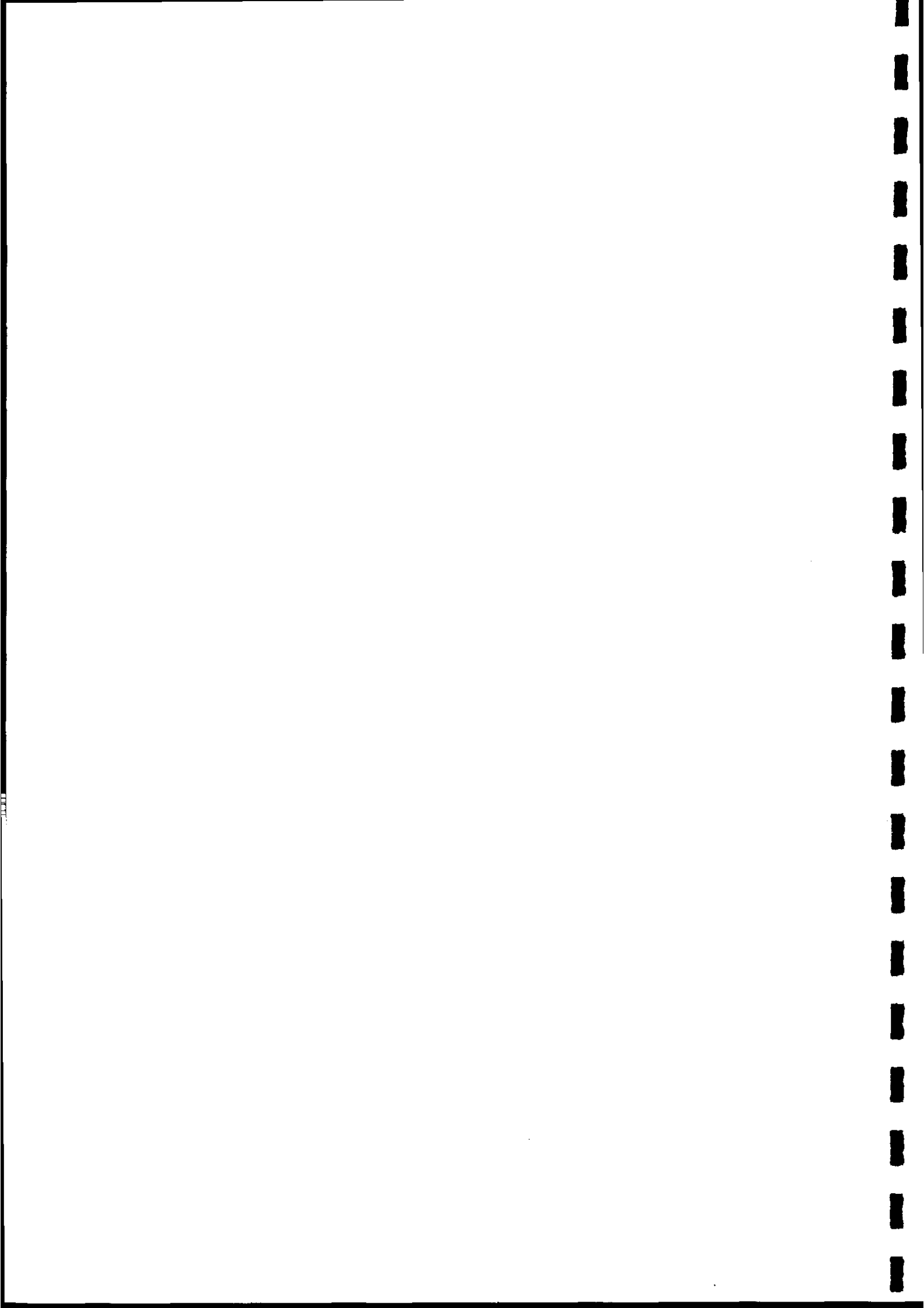
500,000 ordinary shares of £1 each

Allotted and issued

Ordinary shares of £1 each, fully paid
Ordinary shares of £1 each, partly paid

	2003 £	2001 £
500,000 ordinary shares of £1 each	500,000	500,000
Ordinary shares of £1 each, fully paid	50,000	100
Ordinary shares of £1 each, partly paid	-	12,475
	50,000	12,575

The partly paid share capital outstanding at 30 December 2001 was settled in full on 11 June 2002. Consideration of £37,425 was received.



Poundland Limited
(formerly Poundland plc)

Notes to the financial statements (continued)

16 Reserves

	Profit and loss account £'000
At 30 December 2001	6,629
Retained profit for the financial period	3,765
	<hr/>
At 30 March 2003	10,394
	<hr/>

17 Reconciliation of movements in shareholders' funds

	2003 £'000	2001 £'000
Profit for the financial period	3,765	1,800
New share capital subscribed	37	-
	<hr/>	<hr/>
Net increase in shareholders' funds	3,802	1,800
Opening shareholders' funds	6,642	4,842
	<hr/>	<hr/>
Closing shareholders' funds	10,444	6,642
	<hr/>	<hr/>

18 Operating lease commitments

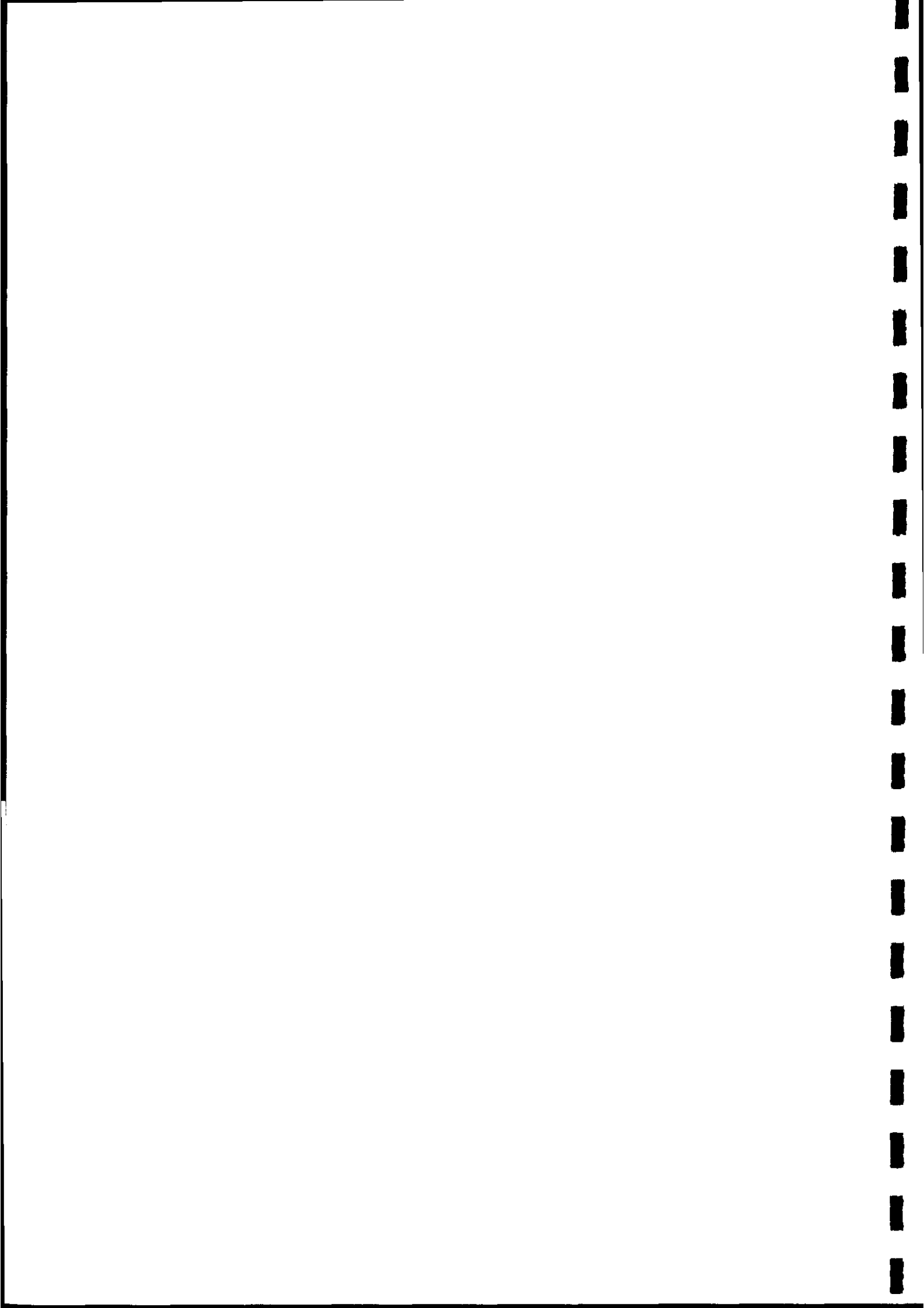
The company has annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003 £'000	2001 £'000	2003 £'000	2001 £'000
Operating leases which expire:				
- within one year	-	129	-	162
- between two and five years inclusive	527	773	566	350
- in over five years	9,903	7,398	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	10,430	8,300	566	512
	<hr/>	<hr/>	<hr/>	<hr/>

19 Capital commitments

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

	2003 £'000	2001 £'000
Contracted	1,769	316
	<hr/>	<hr/>



Poundland Limited
(formerly Poundland plc)

Notes to the financial statements (continued)

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

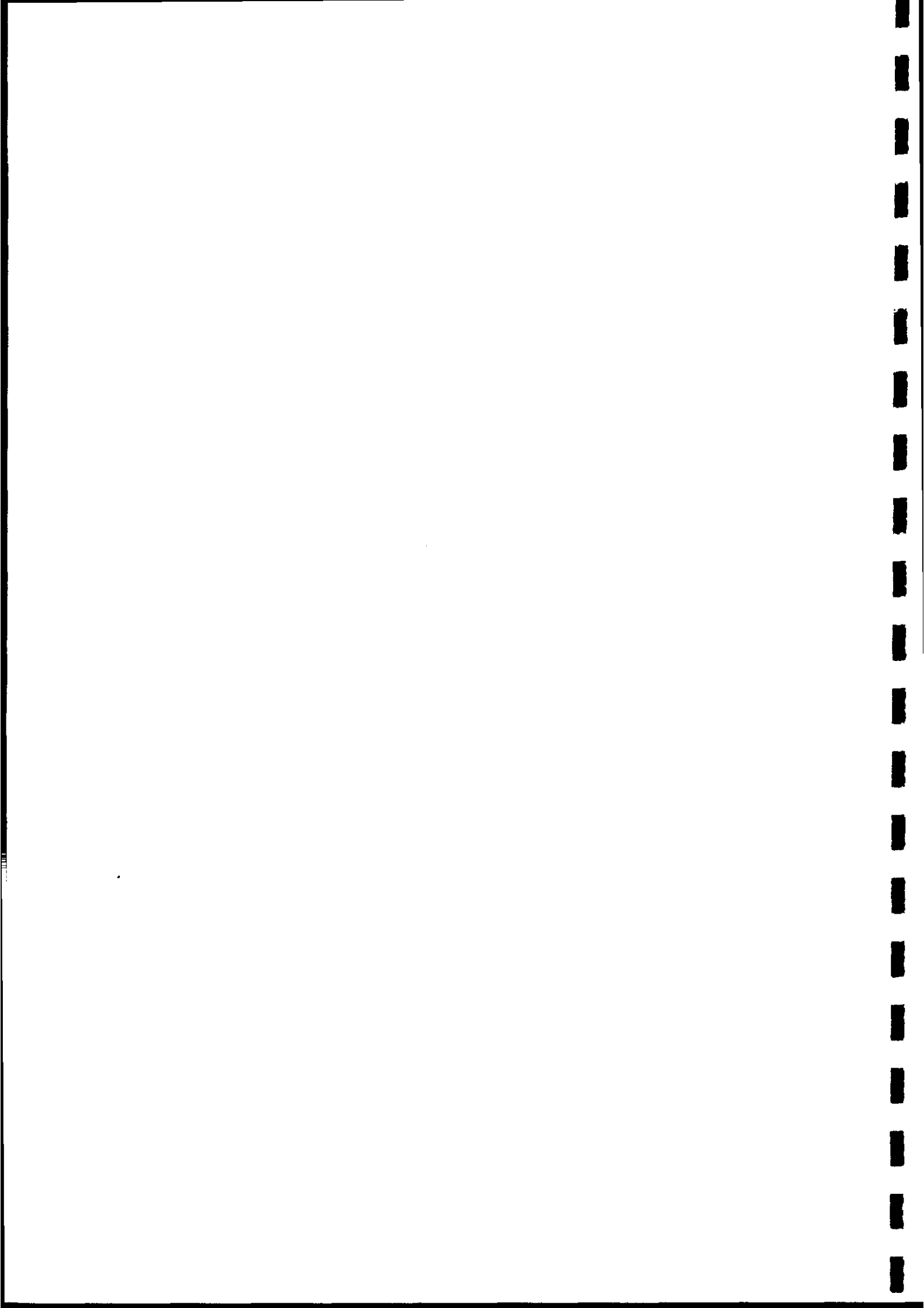
	2003 £'000	2001 £'000
Operating profit	4,995	3,389
Depreciation	3,037	2,284
Loss on disposal of fixed assets	5	7
Increase in stocks	(1,365)	(116)
Decrease/(increase) in debtors	750	(638)
Decrease in creditors	(425)	(1,543)
Net cash inflow from operating activities	6,997	3,383

21 Gross cash flows

	2003 £'000	2001 £'000
Returns on investment and servicing of finance		
Interest received	57	6
Interest paid	(119)	(408)
Interest element of finance lease payments	(62)	(49)
	(124)	(451)
Capital expenditure		
Payments to acquire tangible fixed assets	(3,132)	(2,901)
Proceeds on disposal of tangible fixed assets	16	36
	(3,116)	(2,865)
Financing		
Issue of ordinary share capital	37	-
Mortgage payments	(198)	(23)
Capital element of finance lease payments	(354)	(282)
	(515)	(305)

22 Analysis of changes in net funds

	2001 £'000	Cash flows £'000	2003 £'000
Cash at bank and in hand	2,308	1,090	3,398
Mortgage	(198)	198	-
Finance leases	(1,054)	354	(700)
	1,056	1,642	2,698



Poundland Limited
(formerly Poundland plc)

Notes to the financial statements (continued)

23 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 £237,000 plus VAT (2001: £58,561) to a company controlled by S K Smith, D P Dodd and K Smith. There were no amounts outstanding to this company at the period end.

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.

