Poundland Retail Limited

Annual report and financial statements

Registered number 7115540

For the 52 week period ended 30 March 2014

Contents

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 March 2014 *(52 weeks ended 31 March 2013).*

Principal risks and uncertainties

As an investment holding company, the principal risks are those faced by its main investment Company, Poundland Limited, details of which are disclosed in the consolidated financial statements of Poundland Group Plc.

Principal activity and business review

The principal activity of the Company is that of an investment holding company.

In September 2013, the Company's then ultimate parent company (Poundland Group Holdings Limited) redeemed preference shares at a premium, representing a return of capital to shareholders of £20 million. To facilitate the transaction, dividends were paid through the group. The Company's reported profit for the period is therefore largely the result of the dividend income received.

The Company made a profit before tax for the 52 week period of £21.7 million *(52 weeks period ended 31 March 2013: loss of £2.2 million).*

Results and dividend

The results for the period are set out in the profit and loss account on page 6. A dividend of £20.0 million was paid during the period (*52 weeks ended 31 March 2013: £Nil*).

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.

Employees

The Company is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds 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.

Directors

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

P Best
S Coates
JJ McCarthy
NR Hateley
A Higginson (resigned 30 July 2014)

There have been no changes to the directors since 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.

Directors' report *(continued)*

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

NR Hateley
Director

Wellmans Road
Willenhall
West Midlands
WV13 2QT

31 July 2014

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

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial 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).

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.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Poundland Retail Limited

We have audited the financial statements of Poundland Retail Limited for the 52 week period ended 30 March 2014 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 3, 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 30 March 2014 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Poundland Retail 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
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

G Neale

Graham Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

31 July 2014

Profit and loss account
for the 52 week period ended 30 March 2014

	Notes	**52 weeks 2014 £000**	52 weeks 2013 £000
Turnover		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administrative expenses		**(227)**	(192)
Other operating income		**194**	176
Operating loss	*2*	**(33)**	(16)
Interest receivable and similar income	*3*	**1,451**	1,388
Interest payable and similar charges	*4*	**(3,674)**	(3,592)
Income from shares in Group undertakings		**24,000**	-
Profit/(loss) on ordinary activities before taxation		**21,744**	(2,220)
Tax on profit/(loss) on ordinary activities	*7*	**519**	533
Profit/(loss) for the financial period	*13,14*	**22,263**	(1,687)

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

All activities were continuing throughout the current and preceding period.

The notes on pages 8 to 13 form part of these financial statements.

Balance sheet
at 30 March 2014

	Note	2014		2013	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*8*		**179,905**		179,905
Current assets					
Debtors (of which £26,992,000 *(2013: £25,555,000)* is due after more than one year)	*9*	**33,405**		28,634	
Cash at bank and in hand		**-**		2,837	
		33,405		31,471	
Creditors: amounts falling due within one year	*10*	**(4)**		(8)	
Net current assets			**33,401**		31,463
Total assets less current liabilities			**213,306**		211,368
Creditors: amounts falling due after more than one year	*11*		**(65,669)**		(65,994)
Net assets			**147,637**		145,374
Capital and reserves					
Called up share capital	*12*		**147,617**		147,617
Profit and loss account	*13*		**20**		(2,243)
Shareholders' funds	*14*		**147,637**		145,374

The notes on pages 8 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 31 July 2014 and were signed on its behalf by:

NR Hateley
Director

Company registered number: 7115540

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

Basis of preparation

The financial statements have been prepared on a going concern basis. The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare Group accounts.

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 despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has adequate 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.

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 Directors' Report.

Investments

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

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account deferred tax balances.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except where otherwise required by FRS 19 "Deferred Tax".

Cash flow

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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Operating loss

Auditor's remuneration is borne by Poundland Limited, another Group undertaking.

3 Interest receivable and similar income

	52 weeks 2014 £000	52 weeks 2013 £000
On amounts owed by Group undertakings	**1,437**	1,361
Bank interest	**14**	27
	1,451	1,388

Notes *(continued)*

4 Interest payable and similar charges

	52 weeks 2014 £000	52 weeks 2013 £000
On amounts owed to Group undertakings	**3,674**	3,592

5 Staff numbers and costs

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

	52 weeks 2014 Number	52 weeks 2013 Number
Administration	**6**	6

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**154**	139
Social security costs	**19**	17
	173	156

6 Remuneration of directors

Remuneration

	52 weeks 2014 £000	52 weeks 2013 £000
Emoluments	**128**	113

Highest paid director

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

	52 weeks 2014 £000	52 weeks 2013 £000
Emoluments	**128**	94

Notes *(continued)*

7 Taxation

Analysis of credit in the period

	52 weeks 2014 £000	52 weeks 2013 £000
UK corporation tax		
Current tax credit for the period	**519**	533

Factors affecting the tax credit for the current period

The current tax credit for the period is lower than *(52 weeks ended 31 March 2013: the same as)* the standard rate of corporation tax in the UK of 23% *(52 weeks ended 31 March 2013: 24%)*. The differences are explained below:

	52 weeks 2014 £000	52 weeks 2013 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**21,744**	(2,220)
Current tax at 23% *(52 weeks ended 31 March 2013: 24%)*	**5,001**	(533)
Effects of:		
Non-taxable receipts	**(5,520)**	-
Total current tax credit	**(519)**	(533)

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly.

8 Fixed asset investments

	Investment in subsidiary undertakings £000
Cost	
At beginning and end of period	179,905

Notes *(continued)*

8 Fixed asset investments *(continued)*

The Company's subsidiary undertakings are:

Name	Country of incorporation	Principal activity	Percentage of ordinary shares held
Poundland Holdings Limited *	England	Holding company	100%
Poundland Willenhall Limited	England	Holding company	100%
Poundland Limited	England	Single price value retailer	100%
M&O Business Systems Limited	England	Dormant	100%
Bargain Limited	England	Dormant	100%
Homes & More Limited	England	Dormant	100%
Poundland Stores Limited	England	Dormant	100%
Poundland International Limited	England	Dormant	100%
Sheptonview Limited	England	Dormant	100%
Poundland Far East Limited	Hong Kong	Product sourcing	100%

* Directly owned by the Company.

9 Debtors

	2014	2013
	£000	£000
Group relief receivable	**519**	533
Amounts owed by Group undertakings	**32,834**	28,101
Other debtors	**52**	-
	33,405	28,634
Of which, due after one year		
Amounts owed by Group undertakings	**26,992**	25,555

The amounts owed by Group undertakings are interest bearing at base rate plus 5% and are due for repayment in one instalment on 17 June 2018.

10 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Other taxation and social security	**-**	8
Accruals and deferred income	**4**	-
	4	8

11 Creditors: amounts falling due after more than one year

	2014	2013
	£000	£000
Amounts owed to Group undertakings	**65,669**	65,994

The amounts owed to Group companies are interest bearing at base rate plus 5.125%, and are due for repayment in one instalment on 12 August 2025. However, £4.0 million *(2013: £Nil)* of this loan was repaid during the period.

Notes *(continued)*

12 Called up share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
147,616,913 ordinary shares of £1 each	**147,617**	147,617

13 Reserves

	Profit and loss account £000
At beginning of period	(2,243)
Profit for the financial period	22,263
Dividends payable	(20,000)
At end of period	**20**

14 Reconciliation of movements in shareholders' funds

	2014 £000	2013 £000
Profit/(loss) for the financial period	**22,263**	(1,687)
Dividend paid	**(20,000)**	-
Net increase/(decrease) in shareholders' funds	**2,263**	(1,687)
Opening shareholders' funds	**145,374**	147,061
Closing shareholders' funds	**147,637**	145,374

15 Contingent liabilities

The Company does not have any contingent liabilities *(2013: The Company was party to cross guarantees given for bank loans, overdrafts and letter of credit guarantees of Poundland Holdings Limited and certain fellow Group companies amounting to £56,414,000).*

16 Transactions with related parties

Under FRS 8 'Related Party Disclosures', the Company is exempt from the requirement to disclose transactions with subsidiaries that are part of the Group on the grounds that all companies within the Group are wholly owned by a parent undertaking and the consolidated financial statements of the parent are publicly available.

17 Ultimate parent company

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

Notes *(continued)*

18 Events after the balance sheet date

On 14 May 2014, the Company reduced its share capital via a court approved process.

The Company cancelled 147,616,912 shares.

Following the reduction, the nominal value of share capital is £1.