Poundland Group plc

Registered Office: Wellmans Road,
Willenhall, West Midlands, WV13 2QT

Registered in England.

Company No: 08861243

Poundland Group plc

Annual Report & Financial Statements for period ended 30 March 2014

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for period ended 30 March 2014

Amazing **Value** Everyday!

...Every week

...Every month

...Every year

STOCK CODE: PLND

OUR GOAL

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.

OUR VALUES

POUNDLAND AT A GLANCE

Who we are

Poundland is the largest single price value general merchandise retailer in Europe by both sales and by number of stores. Poundland operates a network of 528 stores across the UK and Ireland. Stores are sited in convenient locations, typically with high footfall, across a mixture of high streets, shopping centres and retail parks and are all operated on a leasehold basis.

What we do

Poundland is a price driven, volume-led business offering an extensive range of products across 17 categories, with the average Poundland store carrying approximately 3,000 core range SKUs including over 1,000 branded products. These branded products account for the majority of sales, with popular brand names such as Cadbury, Mars, Heinz, Nestle and Colgate representing an important footfall driver.

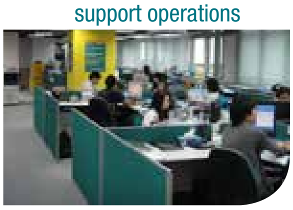
How we do it

Poundland is headquartered in Willenhall, West Midlands, and we employed on average 12,829 colleagues in the 2014 financial year, of which approximately 70% were employed on a part-time basis. We operate three distribution centres. A new warehouse is expected to open in 2014 in Harlow in the South East of England to replace the existing temporary facility at Hoddesdon.

OUR HISTORY

1990 – Opened first store in Burton-upon-Trent

1996 – Opened Hong Kong office to provide direct support operations



2002 – Company acquired by funds advised by Advent International plc

2005 – Opened second distribution centre in Bilston

2006 – Jim McCarthy joined the company as CEO

2010 – Company acquired by funds advised by Warburg Pincus

2011 – 2011 launched new Dealz format into Republic of Ireland

CONTENTS

OPERATIONAL HIGHLIGHTS

70 net new stores, growing the estate by 15.3% to 528 stores (2013: 458)

Over 1,000 net new jobs created

Announced Spanish trial of Dealz with a plan to open an initial 10 stores over 2 year period

Nearly five million customers served each week, including over 200,000 in Ireland

Group sales area +18.9% to 2.80m.sq.ft. (2013: 2.35m.sq.ft.)

Clear evidence of universal appeal of the Poundland and Dealz brands with over 22% of customers now from the AB demographic

Opening of our 500th store in Corporation Street, Birmingham

Awarded Grocer Variety Discounter of the Year

New 350,000 square foot warehouse in Harlow will open in late August

WORKING TOGETHER

Poundland and Macmillan Cancer Care have been working together since 2009. Our customers and colleagues have worked hard to raise money by giving donations, running marathons, climbing mountains and various other fundraising events.

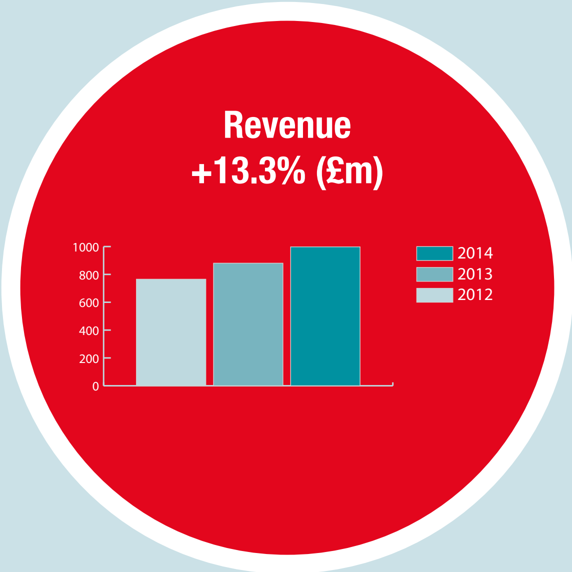
Together we've raised over £1,000,000

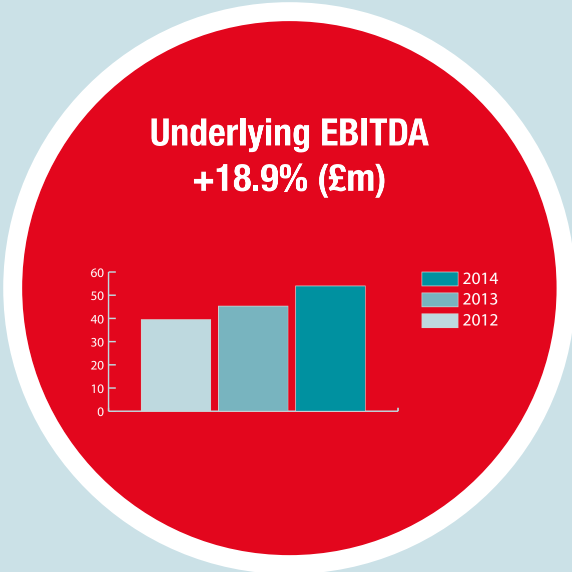
The money raised will fund vital Macmillan support services, to help ensure that no one faces cancer alone. For example, £158,159 could pay for a Macmillan nurse for three years, helping people living with cancer and their families receive essential medical, practical and emotional support. Thank you to everyone involved.

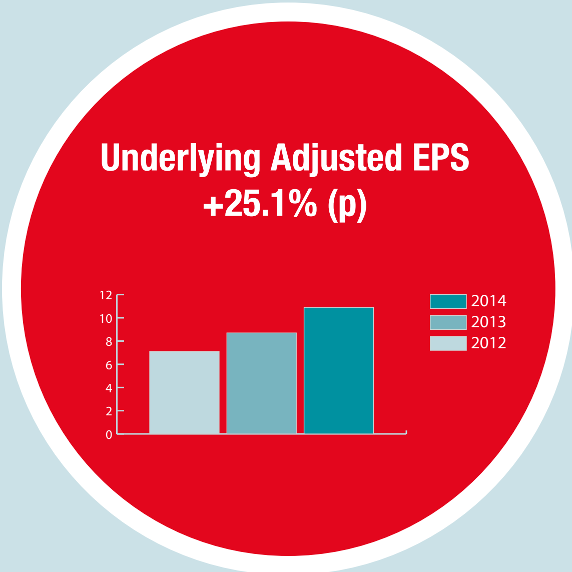
CORPORATE AND SOCIAL RESPONSIBILITIES

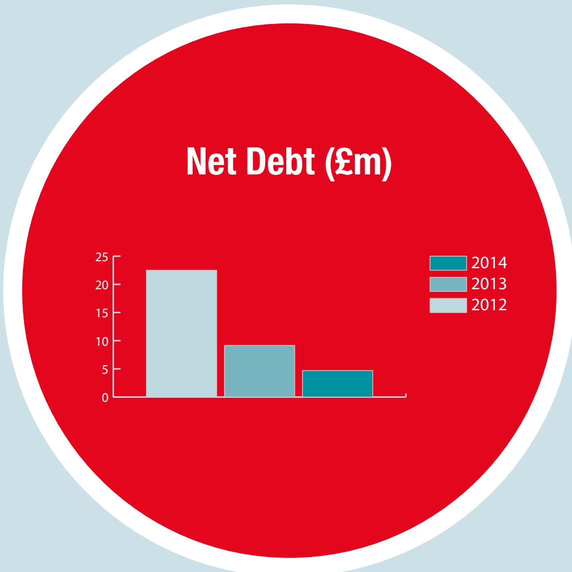
In addition to delivering amazing value to our customers every day, we put our customers first and fully understand and recognise our responsibilty to demonstrate to them that we trade fairly and take our corporate and social responsibilities seriously. We recognise our duty to operate our business in an ethical and responsible manner.

FINANCIAL HIGHLIGHTS









KPI PERFORMANCE

	2014	2013	Change
Number of stores	528	458	70
Number of new stores (net)	70	69	
Sales (£m)	997.8	880.5	13.3%
Gross margin (%)	36.93	36.74	19 bp
Underlying EBITDA (£m)	54.0	45.5	18.9%
Underlying EBITDA margin (%)	5.41	5.16	25 bp
Underlying profit for the period (£m)	27.3	21.8	25.1%
Operating cash flow less maintenance capex (£m)	66.8	37.6	77.7%
Cash conversion (%)	123.7	82.7	
Operating cash flow less maintenance and expansion capex (£m)	52.2	23.2	125.4%
Net debt (£m)	4.7	9.2	-48.3%

MARKET OVERVIEW

Although we operate in an attractive sub-sector of the overall UK retail market, (the value general merchandise retail market), this does not tell the whole story. Because we offer our customers a broad range of products across 17 different retail categories, we compete against a very wide range of retailers, including WH Smith in stationery, Holland & Barrett in healthy snacks, Claire's Accessories in hair accessories and Boots in health and beauty. In 2013, the total retail market in the UK was worth £360 billion, of which our share was less than 0.3%.

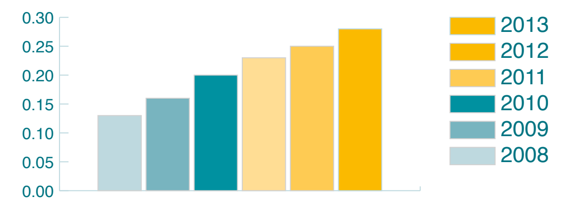
This low share of the total retail market and the growing appeal of the discount sector to UK shoppers, underpins our belief that we can double our store base in the UK.

The key trends and features of the UK value general merchandise market are listed below:

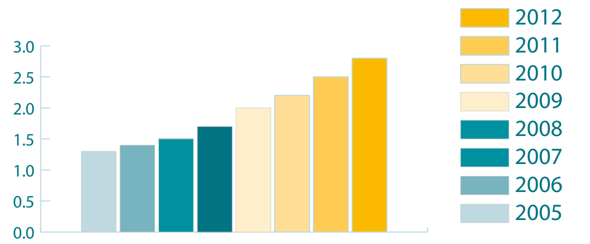
- One of the fastest growing sectors within UK retail, having grown at a CAGR of approximately 15% since 2007, predominantly driven by rapid store roll out;
- An established sector that continues to benefit from a structural shift in consumer behaviour towards value retailing;
- Significant long-term growth potential with the market forecast by PwC to grow at a CAGR of approximately 9.3% per year between 2012 and 2017, driven by a combination of supply and demand factors, and also supported by evidence in the more mature US value general merchandise market; and
- While the value general merchandise market has primarily been targeted towards less affluent consumers, there is an increasing penetration of more affluent consumers.

While many new consumers entered the discount retail market during difficult economic times, research suggests that the majority of these consumers will continue to use value retailers, even as the economy improves. Research suggests that a number of these customers are from the higher socio demographic groups. (source: PwC, "The UK Value General Merchandising Market", November 2013). We think that this will benefit us and the discount market as a whole, as its addressable market increases.

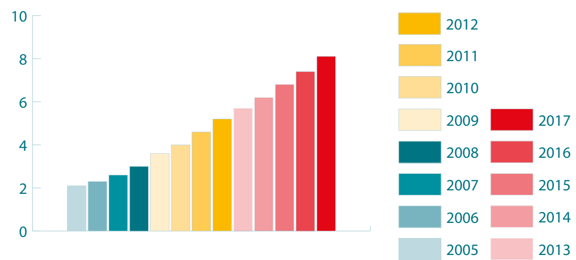
Poundland's market share of the total retail market (%)



UK value general merchandise sector's share of addressable market (%)



UK value general merchandise market (£bn)



Estimated figures shown for 2013 – 2017

Source – PwC, the UK Value General Merchandising Market, November 2013


XPEL
TROPICAL FORMULA
100 SPRAYS
SPRAY PEN
MOSQUITO & INSECT
REPELLENT
LONG LASTING RELIEF
VALUE TWIN PACK
Colgate
Premier WHITE
new!
energi
ADVANCE
WITH LIQUID NUTRI-SILK
Schwarzkopf
GLISS
HAIR REPAIR
WITH LIQUID KERATIN
LIQUID SILK SHAMPOO
Smoothness & Intense Shine
Hair as smooth as silk
BRITTLE, DULL HAIR
Xpel Kids
25 WIPES
MOSQUITO & INSECT
REPELLENT
WIPES
LASTS UP TO FOUR HOURS
ANOVIA
TROPICAL
SUN
for kids
30
sun lotion
15
MEDIUM PROTECTION
ALOE VERA
aftersun gel
FAKE DON'T BAKE
NATURAL LOOK TANNING CREAM
Colgate
ADVANCED WHITE
WHITER TEETH in 14 DAYS!

OUR BUSINESS MODEL

Supply

How we source products

We source from nearly 1,000 suppliers across the world and have an office in Hong Kong and an exclusive sourcing arrangement in India, which together provide a key competitor advantage in our sourcing of general merchandise products. No one supplier has more than 5% of our turnover. We aim to buy and sell our products responsibly – so our customers know that everything they buy is produced under fair conditions. We have a clear social and ethical accountability policy that we ask all our suppliers to comply with.

Our customer proposition is enhanced by our strong track record of product innovation and range development. We work closely with suppliers in developing exclusive products and pack sizes. We also have strong in-house product development capabilities, offering over 50 own label brand families.

We believe that Poundland's own label offering in Fast Moving Consumer Goods ("FMCG") categories, as well as its strength in developing new product ranges, typically non-consumable, general merchandise products, are key differentiators versus other single price value general merchandise retailers in the UK.

Distribution

How we manage our distribution across UK and Ireland

We operate from three distribution centres, including two regional distribution centres located in the Midlands and South East England (Springvale and Hoddesdon, respectively), and one national distribution centre located in the Midlands (Willenhall). All products are taken to one of our distribution centres before onwards distribution to our stores, with the exception of fresh products which are delivered direct to stores by the supplier or a third-party. The Springvale, Hoddesdon and Willenhall distribution centres have capacities of approximately 300,000 square feet, 200,000 square feet and 200,000 square feet, respectively. The regional distribution centres cater mostly for FMCG products and the national distribution centre caters predominantly for other products. In the financial year, 96% of product sales in Ireland were supplied via our UK distribution centres.

The Hoddesdon distribution centre was opened as a temporary facility in 2012 and marked our first major distribution expansion outside the West Midlands. It enabled the Company to reduce the distance travelled to deliver inventory to our stores and help reduce our carbon footprint. In 2014, we plan to replace the Hoddesdon distribution centre with a 350,000 square foot purpose-built warehouse in Harlow, which will serve as our main depot for South East England and will also provide initial support to the business as we look to expand into continental Europe. The adjacency of the new site enables us to transfer the majority of existing, experienced colleagues to the new operation. The Harlow distribution centre will increase our total distribution capacity to be able to operate approximately 750 stores in the UK, Ireland and Europe. By opening the Harlow facility, we expect to achieve gains in efficiency, including enhanced route efficiency and productivity through increased use of double-decker trailers.

We also have four cross-docking facilities, located in Scotland (in Coatbridge), the North East of England (in Spennymoor), Ireland (in Dublin) and Northern Ireland (in Larne). The cross-docking facilities in Scotland and the North East of England are operated by our logistics partner, DHL. Northern Ireland and Ireland are serviced by AM Nexday, a transportation services company based in Belfast. We provide our own transportation services for our Hoddesdon, Springvale and Willenhall distribution centres.

Retail

Our stores and product range

We have established our market-leading position as Poundland in the UK by focusing on delivering amazing value to our customers every day. We believe that this is achieved by selling a wide range of great products and top brands, offering many new exciting lines each week, at a clear, consistent price point which offers our customers amazing value for money. The same commitment to delivering amazing value is met in Ireland under our Dealz brand.

We sell a wide range of products across 17 product categories including household goods, grocery, impulse and health and beauty, with all products in our stores in the UK selling for £1. Some of the most recognised consumer brands in the world are sold in our stores, including Cadbury, Mars, Heinz, Nestlé and Colgate. This branded product offering drives footfall to stores, and of the approximately 3,000 core range SKUs in our average Poundland store, over 1,000 SKUs are third-party branded. Our own label, typically higher margin brands, provide our customers with even greater choice and better value.

Over the course of the year, our product offer is refreshed continuously, with around 200 new products introduced each week. This drives footfall to the stores, as our customers in the UK and Ireland love this treasure trove appeal.

We believe that the single price point in the UK provides us with a competitive advantage to other retailers as it sets a clear and consistent base for price comparison. Customers are able to compare prices on identical products across retailers knowing that at Poundland, product will be on sale for £1.

OUR GROUP STRATEGY

1. Continued focus on delivering amazing value to our customers every day

We have, through our long track record of profitable growth, demonstrated our ability to maintain and strengthen our position as the market-leading, single price value general merchandise retailer in the UK. To continue to drive our business performance, we will remain true to our goal of delivering amazing value to our customers every day.

We believe that product innovation and exclusive product ranges are key competitive advantages and therefore we remain committed to refreshing and developing our product range to meet consumer demands. We will, where appropriate, continue to focus on increasing store marketing with tailored offers and third-party promotions, vouchers and marketing activity.

2. Continued store roll out

We have a track record of rapid store roll out in the UK, with a proven ability to identify strongly performing locations. The value general merchandise market is forecast to continue its exciting growth. We expect to remain as one of the winners in this sector. We generate pay backs from our new stores in around one year, so it makes sense to continue to add to our store base but only in sustainable shopping venues. We believe, supported by external research conducted by the Javelin Group, that there is potential for more than 1,000 Poundland stores in the UK, making it possible to more than double our existing UK portfolio. In addition, we believe that there is potential for more than 70 Dealz stores in Ireland. We plan therefore to continue opening stores at similar rates as the last three years, adding approximately 60 net new stores per year, of which approximately 10% are expected to be in Ireland. We believe that there are opportunities to add stores throughout the UK and in Ireland, as the Poundland business model is robust across a wide variety of store sizes (between 1,700 and 12,000 square feet), formats (high street, shopping centre, retail park) and market demographics (22% of Poundland's UK customers are from the affluent AB socio-demographic group, based on a survey conducted by Poundland in 2013). We are increasingly focused on retail park stores as part of the overall new store mix, as they tend to be more profitable and have a higher average transaction value.

3. Optimisation of existing store portfolio

We will continue to seek to drive growth in both average transaction value and in number of transactions. We see opportunities to drive this through

- Continued innovation and development of our exclusive product range
- Better category management
- Improved micro marketing

We also expect, over the long term, as the consumer recovery builds, to sell more general merchandise products and will continue to improve our product range in these categories.

Around 120 of our stores are smaller than 4,000 square feet. While some of these stores are appropriately sized for their location and competitor set, we see opportunities to resite and/or expand around half of these stores, which should enhance both their performance and their long term sustainability.

4. Planned expansion into continental Europe

We have carried out a detailed assessment of the expansion prospects in continental Europe, including market size, price differentials, brand overlap with the UK, supplier considerations, logistics and site availability. It is our belief that Spain presents a highly attractive opportunity for expansion under our Dealz brand. In addition to favourable market conditions for Dealz in Spain, we have identified high interest in the concept through consumer surveys. Pricing analysis has also illustrated that Dealz pricing is competitive and sustainable. Property research has identified good levels of site availability and favourable property costs, including favourable rental terms, with typical leases of ten years with short break periods (e.g. two-year break periods).

We expect to open up to ten stores over a two-year period, which will initially be supplied from our UK distribution centres. The Spanish operations will be staffed by a core local team with extensive Spanish retail experience and will be supported by a UK-based senior management team. We expect that there will be significant brand and supplier overlap with the Poundland and Dealz ROI product base. The pilot stores' performance will be assessed carefully ahead of any further roll out in Spain or elsewhere in continental Europe. The cost of this trial will be low and we believe that it represents a low cost and low risk strategy to test market opportunity.

5. Format and channel development

We will continue to explore new growth opportunities, such as the potential development of a transactional website to access new customers and fulfil different shopping missions, as well as developing new store formats such as a city centre format, which is a smaller store designed to operate in high footfall city centre locations with a focus on impulse and convenience purchases.

In addition there may be opportunities within the value and general merchandise retail market for further consolidation, which we will explore as and when they arise.

CHAIRMAN'S STATEMENT

Andrew Higginson - Chairman

> *"We have achieved another record profit performance across the Group, with our store opening programme on track, underlying profits in line with market consensus and good cash generation."*

2014 was a very important year for Poundland. We opened our 500th store in November, listed on the London Stock Exchange in March and achieved sales of nearly £1 billion. Demand for shares in Poundland was high and the offer was more than 15 times oversubscribed. The flotation has been well received.

Against a backdrop of continuing difficulties in the economy for consumers, and retailers in particular, Poundland has stood firm in offering its customers amazing value. We believe, as the economy begins its turnaround, our future prospects are even brighter, with Poundland having become a retailer of choice.

Our successful international expansion into the Republic of Ireland under the Dealz brand has continued. Our sales are growing strongly. Expansion of the Dealz brand into continental Europe is an exciting prospect and we are planning a small number of trial stores in Spain in the year ahead.

Andrew Higginson
Chairman
2 July 2014

Trading Performance

This has been another record year for Poundland with total sales just short of £1 billion, up 13.3% on the previous year and the total number of 70 net new stores opened during the year bringing the total estate to 528 at the year end. Between the end of the year and the date of this Report we have opened a further 12 stores.

Further details of the Trading Performance are given in the Chief Financial Officer's Report beginning on page 14.

Stock Exchange Listing

Poundland Group plc completed its premium listing on the London Stock Exchange and was admitted to the Main Market on 17 March 2014. The IPO was very successful, being many times oversubscribed and the shares continue to trade at a level above the initial issue price of 300p.

The Board and Corporate Governance

I firmly believe that we have a high calibre and experienced Board of Directors who will continue to drive the Company to an even more successful future. In addition to Chief Executive Officer, Jim McCarthy, Chief Financial Officer, Nick Hateley and Trading and Marketing Director, Richard Lancaster, I was delighted to announce earlier in the year that we had four new independent Non-Executives joining the team. All four Non-Executives bring a wealth of experience to the Board. Darren Shapland as Senior Independent Non-Executive Director; Trevor Bond as Chair of the Audit and Risk Committee; Tea Colaianni as Chair of the Remuneration Committee and Grant Hearn as Chair of the Governance and Nominations Committee.

Full details of the Committees and their duties are contained in the Corporate Governance Report beginning on page 32 and the reports from the Audit and Risk Committee and Remuneration Committee beginning on pages 35 and 38 respectively. We believe these Non Executives will enhance the diversity of the board and bring independent judgements on issues of strategy and performance as we go forward as a plc.

We also have the benefit of the considerable expertise of Paul Best and Stephen Coates who continue on the Board as the appointed representatives of Warburg Pincus. The combined experience and the insight of the Executive Directors, the Non-Executive Directors and highly talented and experienced Executive Team will be invaluable to the Board.

Full details of the Directors and their memberships of the Board's standing committees can be seen on pages 26 to 27.

Our People

I know that I speak for the whole Board when I say that I am immensely proud of our management teams and colleagues across the business whether in our stores, distribution centres or the Customer Support Centre, for the dedication that they have shown and continue to show to the Company and the great service that they give to our customers. It has been their hard work which has enabled the Company to successfully list on the Stock Market and it is their continued hard work which will ensure our future success.

Outlook

Poundland delivers amazing value to our customers every day and, as a result of the support from our customers, we have achieved another record profit performance across the Group, with our store opening programme on track, underlying profits in line with market consensus and good cash generation. Looking ahead, we will continue to manage the business tightly while investing in clear opportunities for future growth and are confident in making further progress in the new financial year.

With regard to dividend, as noted in the Prospectus issued to prospective Shareholders prior to listing, subject to sufficient distributable reserves being available, the Directors intend that the first dividend to be declared by the Company will be the interim dividend in respect of the first half of the 2015 financial year, which is expected to be paid in January 2015.

Our customers

Average customer spend per transaction
£4.55 +2.5%

Average of
4.9m +11.4% transactions per week

Average store serves circa
10,000 customers per week

CHIEF EXECUTIVE OFFICER'S REVIEW

Jim McCarthy - Chief Executive Officer

> *"Shopping in the value sector is now worn as a badge of honour with a sense of pride for those who realise it is sensible to save money."*

Overview

Poundland started trading from its first store at Burton-upon-Trent in 1990. Since then, the business has expanded rapidly and now serves approximately 5 million value conscious customers every week from over 500 stores across the UK and Ireland. The Poundland retail proposition is simple and compelling, based on selling over 2,000 general merchandise products and over 1,000 mainly branded FMCG goods at the single price point of just £1. Our admission to the Main Market of the London Stock Exchange in March 2014 marked a significant milestone in the Company's development and is testament to the growth and performance of the business that has been providing amazing value to shoppers for nearly a quarter of a century.

We have a track record of delivering strong profitable growth and believe we have significant future opportunities through the delivery of amazing value every day to millions of discerning customers. This is underpinned by our trusted brands, differentiated value proposition, strong supplier relationships and our well-invested and scalable infrastructure.

In recent years there has been significant structural change in the UK's retail market with the value sector becoming a mainstream feature. As the UK's single price market leader, Poundland has been instrumental in that change. Our £1 price point and our amazing value appeal to an increasingly broad section of shoppers, with nearly a quarter of our UK customers now coming from the more affluent AB demographic.

I am pleased to report another record year for Poundland with significant sales and profit growth together with a strong new store opening programme. I thank all of our colleagues throughout the Company for their commitment, hard work and dedication in delivering our strong performance. We are also indebted to our large and loyal customer base who continue to find Poundland's amazing value and single £1 price point helpful in providing certainty in their household budgeting. This has been especially important in the purchase of everyday essential products that have become even more important to consumers during the economic turbulence of recent years.

In September 2011, Poundland successfully entered the Republic of Ireland under the "Dealz" brand where we sell the vast majority of products for €1.49. Our Dealz stores in Ireland became profitable in their first full year and, at the 2014 year end, we were operating from 31 Dealz stores in Ireland and 2 further stores on the Isle of Man and Orkney. We intend to further strengthen our market presence with additional openings during the coming year. The Republic of Ireland and Isle of Man delivered sales of £59.6 million during the year, representing 6% of our Group sales.

We have continued to expand our presence in the UK and Republic of Ireland with the opening of 70 net new stores, taking our overall estate to 528 stores, with our total trading space expanding by 18.9%.

Our entry into Ireland under the Dealz brand demonstrates that we are not only capable of generating attractive financial returns but, also of rapidly establishing a successful brand in a new geography. Consequently, as previously advised, Poundland will following extensive market research later this year trial the Dealz format in Spain with preparations well advanced for our low cost, low risk entry. Once this is successfully established we will continue to research the opportunities to extend into additional European countries and will tailor our offer appropriately to local markets. What is clear to us is that consumers across the globe increasingly appreciate and understand value for money and we are confident that Continental Europe offers the Group substantial future growth opportunities.

The continuing expansion of our retail estate within the United Kingdom, the Republic of Ireland and, shortly, in Spain has led us to invest in a third purpose built 350,000 square foot distribution centre at Harlow which will open later in the year, replacing the 200,000 square foot temporary facility at Hoddesdon. The adjacency of the new site enables us to transfer the majority of existing experienced colleagues to the new operation.

Performance

Poundland's goal remains clear; to offer amazing value to our customers every day. This has never been more relevant, with Poundland perfectly positioned to continue to meet the needs of value conscious consumers throughout the UK and Ireland.

Over the year, our trading performance has been strong with sales and underlying EBITDA at record levels. We continue to tailor our broad offer based on consumer research, innovation and creativity. We now serve around five million customers each week with research demonstrating that Poundland customers are from an increasingly broad spectrum of socio-economic groups. We believe that the Poundland brand has universal appeal and it is likely that more and more consumers will use the value sector as an increasingly important part of their shopping repertoire. Clearly shopping in the value sector is now worn as a badge of honour with a sense of pride for those who realise it is sensible to save money.

Managing cost pressures as a fixed single price retailer is a key element in our DNA and is a critical component in delivering our goal of offering amazing value every day to our customers. Poundland has, for nearly a quarter of a century, successfully managed its gross margin through a wide variety of economic circumstances, competition and many other challenges, including significant VAT increases. I am pleased to report that the gross margin percentage we achieved in the financial year to 30 March 2014 was 36.93%, broadly in line with the previous year.

Furthermore, our business continues to remain well invested and I am delighted to report that, once again, through sales growth and careful cost control we have reduced our operating costs as a percentage of sales when compared to the prior year whilst continuing to invest in growth.

The continuing appeal of our unique fixed single price point retail proposition remains strong. We enjoyed record Christmas sales, in both the UK and Republic of Ireland, serving over 7 million customers during the peak Christmas week. Our central Supply Chain team, including distribution centres and transport, delivered a record breaking 2 million cases to Poundland and Dealz stores in the same week, ensuring that our store teams could satisfy the purchasing requirements of our value savvy customers.

The Poundland and Dealz brands continue to strengthen, and are recognised and well regarded. Our strong growth in new store openings has once again increased the visibility of our brand, which has been further enhanced by our growing number of social media followers on sites including Facebook, Twitter, Pinterest and the Poundland Blog. We continue to develop the soon to be transactional Poundland website, www.poundland.co.uk.

Sourcing

We are proud that on a value basis over 80% of our products are sourced through UK suppliers. However, wherever necessary we have the ability to source and develop products on a global basis. Therefore, our Far and Near East operations based in Hong Kong and New Delhi continue to be an important part of our sourcing strategy. We continue to strengthen our teams in both these locations, especially in the areas of new product development, quality assurance and quality control. We aim to buy and sell our products responsibly and ask all our suppliers to comply with our clear social and ethical accountability policy. This gives our customers confidence that everything they buy from us is produced under fair conditions.

Our already good UK vendor relationships continue to improve and an overwhelming number of primary manufacturers supply us on a direct basis. Major manufacturers of branded products increasingly recognise the significance of Poundland and the wider value sector to consumers together with the outstanding growth opportunity that is offered to them to expand their brand reach and increase profits. Top brands are naturally very important to our customers and securing continuity of supply through these direct channels allows us to increase sales through improved availability and differentiate our offer from other single price competitors. We continue to recognise the relevance of secondary and tertiary suppliers who enjoy long-term relationships with the growing Poundland brand. All of our supplier partners remain important to the delivery of our overall offer. In addition we have continued to develop our own label ranges and the year saw the launch of healthy snack and indulgent nut ranges which delivered stellar numbers. We shall continue to take advantage of gaps in the market for own label ranges that deliver value through quality and value at the amazing £1 price point.

Colleagues

Our achievements would not be possible without our colleagues and I am immensely proud of their commitment and passion in delivering amazing value every day. We are proud of our diverse colleague base and support the investment in meeting the development and training needs of our 12,000 plus colleagues through a detailed training programme, more details of which are set out on page 25. Having progressed personally from the shop floor to the Board, there is nothing quite like the pride I feel when colleagues choose Poundland for their career development and successfully progress through the Company.

I am also proud that our colleagues have once again demonstrated that they operate at the heart of their local communities. Macmillan Cancer Care has, for the fifth consecutive year, been voted by our colleagues as their chosen charity. This partnership has worked well and has provided an easy way for our caring customers and colleagues to support Macmillan. Donations have now exceeded £1 million with money being raised through a number of different events, including the London Marathon, product sample sales and numerous themed fundraising events including dress down days and coffee mornings in Poundland stores, distribution centres and our Customer Support Centre.

In our Republic of Ireland Dealz stores we support "Make-A-Wish" as our chosen charity. Make-A-Wish has one simple aim, to grant the wishes of children and young people living with life-threatening medical conditions.

Following Admission in March 2014, Poundland has introduced three new employee share plans; the Poundland Performance Share Plan, the Poundland Restricted Share Plan and the Poundland Company Share Option Plan. We will also be introducing the Poundland Save As You Earn Plan for eligible colleagues later this year. Details of the plans are contained in the Directors' Remuneration Report starting on page 38 of this report.

Store portfolio

We commenced the year operating from 458 stores. The Group opened a net 70 stores during the year, and at the year-end we operated from 495 Poundland locations, 31 Dealz stores in the Republic of Ireland and 2 Dealz stores on the Isle of Man and Orkney, making the year-end total 528. I am delighted that our store growth programme over the last 2 years has created even more opportunities for new colleagues to join us, which in time has enabled us to bring the Poundland and Dealz retail proposition to thousands more customers every day.

Our new store selection process includes detailed internal analysis and input from various consultants to help determine site longevity and thus the long term profit opportunity by location. The overwhelming number of new stores are acquired under normal commercial arrangements with property landlords; typically ten year leases with monthly rent payments. However, under certain opportunistic circumstances we are prepared to enter into short term lease arrangements with landlords that deliver attractive returns without long-term liabilities. At the end of the period we operated 26 stores on such short-term leases.

Outlook

Clearly there are two types of consumer; those who *need* to shop for value and increasingly, those who *choose* to shop for value. Our goal is to provide amazing value every day and we are therefore perfectly positioned to meet demand from both types of consumer. Our strong sales and volume increases demonstrate the relevance of our proposition to consumers from all socio economic groups.

Manufacturers recognise the increased demand for value and are working hard to deliver products that meet these requirements. Many forward thinking suppliers are also changing their sales, account structures and supply chains to adapt to these changes. This complements Poundland and the discount sector as a whole and, more importantly, is in the best interests of the consumer. We will continue to work with our supplier partners to bring amazing value, brands, new products and innovation to our customers.

Poundland remains fully committed to our single price point in the UK. We will continue to develop our multi-price Dealz format outside the UK.

Due to our strong pipeline of new stores we expect to deliver the unique Poundland retail proposition to circa three quarters of a million consumers each week by the end of the current financial year. We are planning to open at least 60 net new stores during the next financial year, including a number of new Dealz stores in Ireland and Spain. As a result, we estimate that we will create a net 1,000 new jobs.

Trading in the first three months of the new fiscal year has been strong as our retail proposition continues to gain traction through offering amazing value to savvy consumers. Our single price point continues to help consumers plan their household budgets with certainty and confidence. Our programme of new store openings, international expansion and continuing productivity improvements are all key drivers of growth. Additionally, while the economy, and thus consumer confidence, is improving, we believe the shopping behaviours adopted during the last five or six years will remain, and that consequently we will further benefit from increased footfall and discretionary spending. We expect the Poundland Group to continue to perform well over the forthcoming year.

On behalf of the Poundland Board I thank all of our colleagues throughout the company that work so hard and tirelessly to deliver the unique shopping experience that allows us to deliver amazing value to our customers every day, every week, every month and every year.

We also take this opportunity to thank all of our supplier partners in the UK and abroad for their invaluable help in providing products and services that are essential in maintaining our reputation for creating the unique Poundland and Dealz shopping experience.

I look forward to the future with confidence.

Jim McCarthy
Chief Executive Officer
2 July 2014


BUMPER SACHET PACK
SPARX
POPPING CANDY
ASSORTED FLAVOURS STRAWBERRY, ORANGE & TUTTI-FRUTTI
20% EXTRA FREE
BUMPER Bag
Sherbet Straws
50% EXTRA FREE!
ULTIMATE SPIDER-MAN
CANDY STICKS
12 PACKS
WONKA
Everlasting
GOBSTOPPER
WONKA
RAINBOW
NERDS


Seaside FAVOURITES
ASSORTED TOFFEE
Seaside FAVOURITES
CLOTTED CREAM FUDGE
10 STICKS OF ROCK


Splash!
BEACHBALL
BEACHBALL


WONKA
Everlasting
GOBSTOPPER
jawbreakers that change colors and flavors!
dulces jawbreakers que cambian de color y de sabor!


WONKA
RAINBOW
NERDS


WONKA
RUNTS


DESSERTS
Skittles


PEANUT BUTTER
m&m's

CHIEF FINANCIAL OFFICER'S REPORT

"Group revenue net of VAT was £997.8 million, which represents growth on the prior year of 13.3%. This improvement was driven by both the impact of a strong store opening programme and a return to like-for-like sales growth."

Nick Hateley - Chief Financial Officer

The 2014 financial year was a good one for Poundland. Sales grew by 13.3% and, due to strong margin management and cost control, this translated into an 18.9% increase in underlying EBITDA and a 25.1% increase in underlying EPS, and we managed our cash well. Net debt almost halved, despite costs related to our successful stock market flotation and the redemption of preference shares (£20).

Results Summary

	2014	2013	Growth
Sales (£m)	997.8	880.5	13.3%
Like-for-like sales growth	1.9%	-1.7%	
Gross margin (%)	36.93	36.74	up 19 bp
Underlying EBITDA (%)	54.0	45.5	18.9%
Underlying Pre tax profits (%)	36.8	29.8	23.5%
Underlying adjusted EPS (p)	10.9	8.7	25.1%
Net debt (£m)	4.7	9.2	(48.3%)

Key Performance Indicators

	2014	2013	Change
Number of stores	528	458	70
Number of new stores (net)	70	69	1
Sales (£m)	997.8	880.5	13.3%
Gross margin (%)	36.93	36.74	up 19 bp
Underlying EBITDA (£m)	54.0	45.5	18.9%
Underlying EBITDA margin (%)	5.41	5.16	25 bp
Underlying profit for the period (£m)	27.3	21.8	25.1%
Operating cash flow less maintenance capex	66.8	37.6	77.7%
Cash conversion (%)*	123.7	82.7	
Operating cash flow less maintenance and expansion capex	52.2	23.2	125.4%
Net debt (£m)	4.7	9.2	(48.3%)

*Derived as underlying EBITDA plus changes in working capital minus maintenance capex divided by underlying EBITDA.

We performed strongly across all of the key performance indicators (KPIs) set out in our IPO prospectus, especially in the growth of our store estate and in our strong cash flow.




Other Operating Metrics

	2014	2013	Growth (%)
Average net store size (square feet)	5,233	5,143	1.7
Average number of transactions per week (millions)	4.9	4.4	11.4
Average transaction value (£)	4.55	4.44	2.5
Gross sales (£m)	1,160	1,024	13.3

The IPO prospectus also identified a number of other key operating metrics and, as the table above shows, our performance was strong in the 2014 financial year.

Revenue

Group revenue net of VAT was £997.8m (2013: £880.5m), which represents growth on the prior year of 13.3%. This improvement was driven by both the impact of a strong store opening programme and a return to like-for-like sales growth. We grew like-for-like sales during the year by 1.9% (2013: -1.7%), which was driven by our continued focus on providing our customers with amazing value every day and a return to more normal competitor opening activity.

Gross Margin

Gross profits increased by 13.9% to £368.5m (2013: £323.5m) and gross margins increased by 19 basis points to 36.93% (2013: 36.74%). This increase was driven by a combination of our improved buying power and the greater mix within our store base of Dealz and retail parks. The number of Dealz and retail park stores increased by 35 to 85. These positive factors offset the negative impact of inflation and an increase within our sales mix of branded goods. Consumer price inflation during our financial year was 1.6% (2013: 2.8%; Source: ONS) and the proportion of branded goods within our sales mix increased by 30 basis points to 63.4% (2013: 63.1%).

Underlying Operating Costs

	2014 £m	2013 £m
Distribution expenses	297.0	261.3
Administration expenses	31.5	28.7
Total overheads	328.5	290.0
Wages	144.5	127.1
Underlying depreciation and amortisation	14.0	12.0
Operating leases	78.5	68.7
Other (including rates)	91.5	82.2
Total overheads	328.5	290.0
% of sales		
Wages	14.48	14.43
Underlying depreciation and amortisation	1.40	1.36
Operating leases	7.87	7.80
Other (including rates)	9.17	9.35
Total overheads	32.92	32.94
Total overheads excluding depreciation and amortisation (£m)	314.5	278.0
% of sales	31.52	31.57

Underlying operating costs in the financial year increased by 13.3% to £328.5m (2013: £290.0m). This increase in the cost base in the period was primarily a result of the increase in the number of stores in the portfolio. Operating costs now account for 32.92% of sales (2013: 32.94%). The fact that this was flat year on year, reflects continued investment in the business.

Stripping out depreciation and amortisation, costs as a proportion of sales fell by 5 basis points to 31.52% (2013: 31.57%).

EBITDA and EBIT

Reconciliation to underlying EBITDA	2014 £m	2013 £m
Reported EBITDA	42.8	43.1
Adjustments		
Costs in respect of the IPO	10.0	–
Distribution centre set up	–	1.4
New store format trial	–	0.5
Strategic initiatives	1.3	0.5
Underlying EBITDA	54.0	45.5

We report non-underlying items in our income statement to show one-off items and to allow investors to better understand the underlying performance of the business. In relation to the 2014 financial year, these included costs in respect of our IPO (£10.0m) and costs related to strategic initiatives in ecommerce and in international development (£1.3m). In the previous financial year, we incurred costs related to strategic initiatives in ecommerce and in international development, costs resulting from the opening of a new temporary distribution centre and costs relating to a new store format trial and brand amortisation.

Underlying EBITDA grew by 18.9% to £54.0m (2013: £45.5m), driven by the strong trading margin performance of the Group.

	2014	2013	Growth (%)
Underlying EBITDA (£m)	54.0	45.5	18.9
Underlying depreciation and amortisation (£m)	14.0	12.0	16.7
Underlying EBIT (£m)	40.0	33.5	19.6
Underlying EBITDA margin (%)	5.41	5.16	25 bp
Underlying EBIT margin (%)	4.01	3.80	21 bp

The table above shows underlying EBIT and movement in underlying margins. Underlying EBIT is calculated after stripping out brand amortisation of £1.1m (2013: £1.1m) from depreciation and amortisation expenses, as we regard this charge as non-underlying. Underlying EBIT grew by 19.6% to £40.0m. Group margins increased at both the underlying EBITDA and the underlying EBIT level, by 25 basis points to 5.41% in the case of the former (2013: 5.16%) and by 21 basis points to 4.01% in the case of the latter (2013: 3.80%).

Net Finance Costs

	2014 £'000	2013 £'000
Financial income		
Interest income on unimpaired financial assets	252	279
Ineffective portion of changes in fair value of cash flow hedges	–	92
Total	**252**	**371**
Financial expense		
Total interest expense on financial liabilities measured at amortised cost	(3,432)	(3,865)
Non-underlying fees associated with refinancing	(2,981)	–
Net change in fair value of interest rate swap cash flow hedges recycled from equity	(56)	(80)
Ineffective portion of changes in fair value of cash flow hedges	(1)	–
Total	**(6,470)**	**(3,945)**
Total net financing expense	**(6,218)**	**(3,574)**
Underlying net finance costs	**(3,236)**	**(3,666)**

In the 2014 financial year the Group incurred a non-underlying charge of £2.9m, relating to the renegotiation of its debt facility, which included the write off of unamortised fees associated with the debt facility agreed in August 2010. Underlying finance expense reduced by 11.7% (£0.4m), at £3.2m. This was a consequence of the Group's strong trading performance and high cash conversion rates.

CHIEF FINANCIAL OFFICER'S REPORT continued

Statutory Profit Before Tax

Reconciliation to underlying profit before tax	2014 £m	2013 £m
Reported total profit before tax	**21.5**	26.5
Adjustments:		
Costs in respect of the IPO	**10.0**	–
Amortisation	**1.1**	1.1
Distribution centre set up	**–**	1.4
New store format trial	**–**	0.4
Strategic initiatives	**1.3**	0.5
Net financing expense	**2.9**	(0.1)
Underlying profit before tax	**36.8**	29.8

Underlying profit before tax was £36.8m, which represented an increase of 23.5% on last year (2013: £29.8m). Statutory profit before tax fell by 18.9% to £21.5m (2013: £26.5m), due to an increase in net non-underlying charges, primarily costs associated with the Group's stock market flotation.

Taxation

The underlying tax charge for the period was £9.6m (2013: £8.0m). The full year underlying effective tax rate was 26.0% (2013: 27.0%). There was a non-underlying adjustment to the tax charge in the 2013 financial year of £4.9m principally relating to a one-off corporation tax refund (£4.0m).

Statutory Profit After Tax

Reconciliation to underlying profit after tax	2014 £m	2013 £m
Reported total profit after tax	**13.9**	23.4
Adjustments:		
Costs in respect of the IPO	**10.0**	–
Amortisation	**1.1**	1.1
Distribution centre set up	**–**	1.4
New store format trial	**–**	0.4
Strategic initiatives	**1.3**	0.5
Net financing expense	**3.0**	(0.1)
Taxation	**(1.9)**	(4.9)
Underlying profit after tax	**27.3**	21.8

Underlying profit after tax was £27.3m, which represented an increase of 25.1% on last year (2013: £21.8m). Statutory profit after tax fell by 40.7% to £13.9m (2013: £23.4m), due to an increase in net non-underlying charges, primarily costs associated with the Group's stock market flotation.

Adjusted Earnings Per Share

Underlying basic and fully diluted earnings per share increased by 25.1% to 10.90p per share (2013: 8.71p per share). Non-underlying basic and diluted earnings per share fell by 40.7% to 5.54p per share (2013: 9.35p per share). The weighted average number of shares in issue during the period was 250m.

Capital Expenditure

	2014 £m	2013 £m
New stores	13.0	12.4
Existing stores	3.0	2.0
Other	1.6	2.0
Total	17.6	16.4
% of sales	1.8%	1.9%

Capital Expenditure continued

During the 2014 financial year, we invested £17.6 million in capital expenditure, primarily related to the opening of new stores. We continued to roll out the Poundland format in the UK and the Dealz format in Ireland. We opened a total of 82 stores in the 2014 financial year, or 70 net of closures and resites.

We ended the year with 528 stores (2013: 458), including 495 Poundland stores in the UK and 33 Dealz stores including 31 stores in Ireland and 2 in the Isle of Man and Orkney, and have a long-term target of 1,000 stores in the UK and 70 in Ireland. We plan to open 60 net new stores a year in the UK and Ireland and our pipeline is strong for the current year.

We continue to invest in our infrastructure to support our planned growth and we will open our new purpose-built 350,000 square feet distribution centre in Harlow in August.

Net Debt and Cashflow

	2014 £m	2013 £m
EBITDA	42.8	43.1
Change in net working capital	15.8	(5.8)
Operating cashflow	58.6	37.3
Tax paid	(10.4)	(3.9)
Net cash from operating activities	**48.2**	**33.4**
Capital expenditure	(16.6)	(15.2)
Acquisition of intangible assets	(1.0)	(1.3)
Net cash from investing activities	**(17.6)**	**(16.5)**
Proceeds from new loan	29.3	–
Repayment of borrowings	(54.9)	(7.2)
Redemption of preference shares	(20.0)	–
Net financial expense paid	(2.5)	(2.8)
Net cash from financing activities	**(48.1)**	**(10.0)**
Net (decrease)/increase in cash	**(17.6)**	**6.9**
Net debt	**(4.7)**	**(9.2)**
Cash conversion	**123.7%**	**82.7%**

Net debt at the end of the year was £4.7m (2013: £9.2m). This is after paying £20m redeeming preference shares and the payment of £4.9m in costs associated with our successful stock market flotation. We received no cash benefit from the IPO, as all proceeds went to selling shareholders. Operating cash flow of £58.6m represented an increase of 57.2% on last year (2013: £37.3m). This reflects Poundland's strong trading performance and our continued focus on day-to-day cash management.

Working capital was well managed, with a £15.8m inflow in the year (2013: outflow of £5.8m). Cash conversion was strong at 123.7% (2013: 82.7%).

New debt facility

On 17 March 2014, we entered into a new banking facility consisting of a revolving credit and a working capital facility of £55m. We utilised £30m of the revolving credit facility, together with cash generated from operating activities to repay our term debt.

Dividend

We intend to adopt a dividend policy which reflects our long-term earnings and cashflow potential, targeting a level of annual dividend cover of 2.5 to 3.5 times based on earnings. We intend that the first dividend to be declared will be the interim dividend in respect of the first half of the 2015 financial year, payable in January 2015.

RISKS AND UNCERTAINTIES

The tables below summarise the material financial and operational risks to the Group and how the Group seeks to mitigate them in the day-to-day running of the business.

Operational Risks	Explanation	Mitigation
The Group operates in the highly competitive retail market.	The retail industry, including the value general merchandise retail market, is highly competitive, particularly with respect to price, product selection and quality, store location and design, inventory, customer service and advertising. The Group competes at national and local levels with a diverse group of retailers of varying sizes and covering different product categories and geographic markets. These competitors include other single price value general merchandise retailers, multi-price value general merchandise retailers, supermarkets and certain high street retailers in particular categories, such as health and beauty.	Poundland works extremely hard to ensure that it responds adequately to these multiple sources and types of competition, including online competition whether from existing retailers or new entrants, to ensure that competition does not have a material adverse effect on the Group's business, results of operations and financial condition.
The Group may not be able to open profitable new stores on a timely basis or at all.	Part of the Group's growth strategy is to open new stores across the UK and Ireland, and the Group is also developing plans to trial Dealz stores in continental Europe, with a low-cost pilot launch planned for Spain in the 2015 financial year. If Poundland does not open new stores on a timely or profitable basis, it may not realise its growth strategy.	The Group's highly motivated and experienced property department are constantly working to identify and secure attractive locations for new stores, including selecting the right store formats.
The Group may not be able to increase sales in existing stores.	Poundland's growth from existing stores is dependent upon its ability to increase sales, manage costs and improve the efficiencies and effectiveness of its operations. Increases in sales in existing stores are dependent on factors such as competition, merchandise sourcing and selection, store operations and customer satisfaction.	Once open, our retailing colleagues ensure that they gain experience of the new market and develop name recognition and identify customer demand with a view to successfully competing against local competition on a store-by-store basis. The Group seeks to hire, train and retain qualified store management and other high quality personnel. At the same time colleagues within our Distribution Centres and Customer Support Centre look to maintain or improve sourcing and distribution capacity, information systems and other operational system capabilities and manage additional expenses and costs.
The Group's success is dependent on its logistics and distribution infrastructure.	The success of Poundland's business depends on its ability to transport goods from its three distribution centres to its stores throughout the UK and Ireland in a timely and cost-effective manner. Any unexpected delivery delays, such as due to severe weather or disruptions to the national or international transportation infrastructure, or increases in transportation costs, such as due to increased fuel costs, could materially adversely affect the Group's business.	Poundland operates from three distribution centres, including two regional distribution centres located in the Midlands and South East England, and one national distribution centre located in the Midlands. All products are taken to one of Poundland's distribution centres before onwards distribution to Poundland's stores, with the exception of fresh products which are delivered direct to stores by the supplier or a third-party. In late 2014, Poundland plans to replace the Hoddesdon distribution centre with a 350,000 square foot purpose-built warehouse in Harlow, which will serve as Poundland's main depot for South East England and will also provide initial support to the business as it looks to expand into continental Europe. The Harlow distribution centre will increase Poundland's total distribution capacity to be able to operate approximately 750 stores in the UK and Ireland. By opening the Harlow facility, Poundland expects to achieve gains in efficiency, including enhanced route efficiency, and productivity through increased use of double-decker trailers.
The Group's cash flows from operations may be negatively affected if it is not successful in managing its inventory balances or level of inventory shrinkage.	To be successful, Poundland must maintain sufficient inventory levels to meet its customers' demands without allowing those levels to increase to an extent such that the costs to store and hold the goods unduly impact its financial results. If Poundland is not successful in managing its inventory balances, its cash flows from operations may be negatively affected.	Poundland has been successfully maintaining sufficient inventory levels throughout its 24 year history and continues to employ the good habits that it has gained through this extensive experience. Poundland, like other retailers, experiences inventory shrinkage, and employs measures that will reduce the problem. Although some level of inventory shrinkage is an unavoidable cost of doing business.

Poundland relies on third-party suppliers and needs to identify, develop and maintain relationships with a significant number of qualified suppliers.	Like many retailers, Poundland is dependent on being able to source suitable products from suppliers in sufficient quantities, at sufficiently low cost and in a timely manner but may not be able to do so in such a way as to meet our needs.	Poundland is proud that, on a value basis, over 80% of our products are sourced from UK suppliers. However, whenever necessary, we have the ability to source and develop product on a global basis. Poundland has good, long-term relationships with most of its suppliers which are continuing to improve as an overwhelming number of primary manufacturers supply us on a direct basis. Major manufacturers and suppliers are increasingly recognising the significant opportunity that Poundland is offering them to expand their brand reach.

Economic Risks	Explanation	Mitigation
Inflation or other factors may affect Poundland's ability to keep pricing at £1 in the UK and €1.49 for the majority of its products in Ireland.	Poundland's current pricing strategy is predicated on providing a wide range of merchandise for profitable resale at a single price point of £1 in the UK or €1.49 for the vast majority of products in Ireland.	Poundland has been able to profitably maintain its current UK £1 single price strategy for 24 years by managing its product range (such as by introducing new higher margin branded and own label products or discontinuing low margin products), re-engineering pack sizes, moving sources of supply to lower cost economies and renegotiating with suppliers, and it will continue to apply this strategy whilst closely monitoring any factors which may affect the Group's single price point strategy.
The Group's business may be adversely affected by economic conditions and other factors in the UK, Ireland and globally.	Poor economic conditions in the UK, Ireland and globally, as well as economic factors such as unemployment levels, consumer debt levels, lack of available credit, fuel costs, inflation, interest and tax rates, may adversely affect the disposable income of Poundland's customers, which could result in lower sales.	Poundland has established its market-leading position in the UK by continuously focusing on delivering amazing value to its customers every day and it is this focus that has allowed Poundland not only to survive but to grow significantly during the recent period of severe economic downturn. We believe that this was achieved by selling a wide range of great products and top brands, offering many new exciting lines each week, at a price point intended to offer customers amazing value for money, and it will continue this strategy into the future. In a 2013 study prepared for the Group comparing prices on a range of 106 comparable products to UK grocery chains (Asda, Tesco and Sainsbury), Poundland was the cheapest or joint cheapest 90% of the time.
The Group may be subject to adverse fluctuations in currency exchange rates.	The Group pays certain suppliers overseas in US dollars; however, Poundland's customers pay for products in sterling in the UK and euros in Ireland. Consequently, the Group bears the risk of disadvantageous changes in exchange rates.	The Group's policy allows these exposures to be hedged for up to 18 months forward in order to fix the cost in pounds sterling. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts. These contracts are put in place as part of the Group's gross margin strategy. It enables buyers to be given targeted buying rates for products, which are set lower than the hedged rate.

Employment Risks	Explanation	Mitigation
The Group depends on the Executive Team and other highly qualified employees to manage its business and brands.	The success of Poundland's strategy depends on the continuing services of the Executive Team and the Group's ability to continue to attract, motivate and retain other highly qualified employees. Retention of the Executive Team and other highly qualified employees is especially important in the Group's business due to the limited availability of experienced and talented retail executives.	The Group operates a remuneration policy the aim of which is to attract, retain and motivate high calibre senior management and to focus them on the delivery of the Group's strategic and business objectives, to promote a strong and sustainable performance culture, to incentivise high growth and to align the interests of Executive Directors and members of the Executive Committee with those of Shareholders through encouraging equity ownership. In promoting these objectives the policy aims to ensure that no more than is necessary is paid and has been structured so as to adhere to the principles of good corporate governance and appropriate risk management.

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

Our Goal

At Poundland we deliver amazing value to our customers every day. We are 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.

Our values that underpin our goal are as follows:

- We put customers first
- Keep it simple
- Individual responsibility team delivery
- Treat every £ as your own
- Respect each other
- Recognise and celebrate success

The values are representative of the way we aspire to operate our business and our colleagues are encouraged to live these values during everyday interaction with our customers and each other.

We put our customers first, and fully understand and recognise our responsibility to demonstrate to them that we trade fairly and take our corporate and social responsibilities seriously.

We recognise our duty to operate our business in an ethical and responsible manner.

Our CSR strategy focuses on 3 key areas:

- Environment
- Social Responsibility
- Employee Responsibility

HEALTH AND SAFETY

We are aware, and take very seriously, our responsibility for the health and safety of our customers, colleagues and anyone else who comes into contact with our business or visits one of our sites. We are constantly seeking ways to improve health and safety practices to ensure the safety of all.

ENVIRONMENT

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 continually investigate and test new solutions to 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. During 2013/14 we reduced our same store emissions by 1,064 tonnes CO_2 and 1,836 tonnes CO_2 overall.

Our focus on waste management this year has resulted in the recycling of 12,596.24 tonnes of cardboard, an improvement of 10.1% on the prior year. We also recycled 801.88 tonnes of plastic, a 16.4% increase year on year.

We have invested significantly in fuel efficient vehicles. We have improved vehicle aerodynamics, used low energy tyres, and trained our transport colleagues in more fuel efficient driving techniques.

This year we have set challenging targets for further reductions in our energy consumption.

Packaging

As the largest UK national retailer of single price amazing value products, we recognise the need to conserve natural resources and to protect the environment. Therefore, we have adopted a policy that will reduce the environmental impacts associated with our product (primary) packaging and as a minimum comply with all relevant legislation. Where possible, the objective is to fit the packaging around the product to reduce consumer waste, recycling costs, comply with the Packaging and Packaging Waste Directive and reduce supply chain transport costs by utilising container space more affectively.

Packaging Policy Statement

Primary packaging, at its most fundamental level, protects and contains the contents and communicates safety and legal requirements.

Poundland will:

- Meet all legislative requirements as a minimum.
- Work toward a continuous reduction in the use of packaging materials, reducing size and weight through improved design and appropriate use of materials.
- Always view packaging from our customers' perspective i.e. can I re-cycle it, can I re-use it, does it have an alternative use?
- Wherever possible, provide information to customers concerning which packaging has a recycled content and/or can be recycled. Ensure all environmental claims are simple, meaningful, relevant, accurate, used in the appropriate context and can be substantiated.
- Require suppliers to provide information on the size, weight, design and materials content of packaging on all own brand products sold.
- Monitor developments in packaging technologies for opportunities to reduce environmental impacts.
- Encourage suppliers of proprietary brands to adopt best environmental practice in the design of packaging used for their products.
- Comply with all rules, licences, copyrights, codes of practice and official guidance concerning environmental labelling and claims.

Electricity and Gas

Progress so far:

- In 2013/14 Poundland consumed 75.3 GWh of electricity and gas across its trading portfolio and associated warehousing, this equates to emissions of 39,478 tonnes of CO_2.
- In 2012/13 Poundland's committed to an energy efficiency campaign aimed at reducing our emissions and their associated costs. The campaign focused on giving stores energy information that allows them to manage their energy use primarily by good housekeeping.
- In the first 12 months of this campaign we reduced our like for like consumption by 6.2% in our smart metered stores.
- We will endeavour to maintain good housekeeping standards and add to them with targeted investment in energy projects that give a suitable return on investment. For example we have invested in a low energy lighting scheme for our Willenhall warehouse.
- We will maintain focus on lowering carbon emissions to minimize annual costs under the CRC Energy Efficiency Scheme.

Waste Initiatives

We are fully focused and compliant on all areas of waste:

- Budget Pack, the Packaging Consultants focused on compliance with UK Packaging Waste Regulations, are working in partnership with Poundland to provide battery collection facilities throughout all of our stores. This means that customers can deposit any type of portable battery into collection containers when visiting a store. These batteries are collected, sorted and recycled, ensuring that the constituent parts are used again.
- Waste Electrical (WEEE) - We currently operate a take back system via helpdesk for the UK & NI.
- Packaging Waste (PRN's) - We provide the government with data on the weight of packaging waste materials (paper, glass, aluminium, steel, plastic, wood, mixed recycling).

Recycling & Waste

- We recognise the potential impact on the community of waste generated from our activities; we therefore seek to reduce volumes of waste by recycling wherever possible.
- All our stores and distribution depots recycle cardboard and soft plastics generated in their daily operation.
- Our Customer Support Centre collects and recycles all of its waste paper and packaging.
- In 2013/14 we recycled 10.6% more cardboard and soft plastics than in the previous year.
- We continue to investigate other sources of waste and opportunities to recycle.
- Waste generated at our Hoddesdon depot is taken for incineration, meaning none of its waste is passed to landfill.

SOCIAL RESPONSIBILITY

Sourcing

During the last few years we have strengthened our supplier code of conduct and social accountability processes. In 2011, an independent audit of all processes and procedures was undertaken. We have implemented in full the recommendations arising out of the audit, increasing the number and quality of audits of our suppliers. We have joined Sedex, the largest organisation of its kind that shares ethical trade information with its members. During 2013 and 2014, further independent audits of factories have been commissioned to ensure compliance with Poundland's supplier Code of Conduct. Continuous improvement of our ethical, moral and social processes remains one of our key priorities.

We are proud that on a value basis over 80% of our products are sourced through UK companies. However, where necessary, Poundland has the ability to source and develop products on a global basis. Therefore, our Far East and Near East operations based in Hong Kong and New Delhi continue to be an important part of our sourcing strategy. Accordingly we have strengthened our teams in both these locations, especially in the areas of new product development, quality assurance and control.

Our good UK vendor relationships have continued to improve during the period and virtually all primary manufacturers supply us direct. It is pleasing that major manufacturers of branded products recognise the significance of Poundland to consumers and the outstanding growth opportunity that we offer them to expand their brand reach. Top brands are very important to our customers and securing continuity of supply through these direct channels allows us to increase sales through improved availability and differentiate our offer from other single price competitors. During the year we have once again been able to add a number of important new branded suppliers to our existing large portfolio of primary manufacturers. We continue to recognise the relevance of secondary and tertiary suppliers who enjoy long term relationships with our growing Poundland brand. These suppliers remain important to the delivery of our overall offer.

Code of Conduct – Social Accountability Policy

All suppliers commit to achieving the standards outlined. The policy, based on International Labour Organisation Core (ILO) conventions covers topics including:

- Child/forced labour
- Health & safety
- Freedom of Association & collective bargaining
- Non-discrimination
- Hours worked
- Wage compliance

Charity

Poundland supports Macmillan Cancer Care's aim to reach everyone affected by cancer. Since the partnership began in 2009, Poundland colleagues and customers have raised over a million pounds, helping Macmillan to make sure people living with cancer have the best team in their corner, every step of the way.

We have built and strengthened the partnership engagement with both colleagues and customers and created awareness in the media, providing an easy and desirable way for people to support Macmillan. Poundland supports Macmillan with a number of fundraising activities in store, distribution depots and at our Customer Support Centre. Colleagues have participated in sponsored runs such as the London Marathon, Land's End to John O'Groats cycle ride and held samples sales.

In our Republic of Ireland Dealz stores, our charity of the year is "Make-a-Wish" who grant magical wishes to children and young people fighting life threatening illnesses.

EMPLOYEE RESPONSIBILITY

Our Colleagues

We recognise and celebrate success through various initiatives in the business. For example we offer seasonal incentives where our store colleagues can receive vouchers to spend at their leisure. Eligible colleagues are also rewarded for meeting objectives which impact business performance and show evidence of living the Company values via an annual bonus scheme. In addition we offer at 5 year intervals long service awards to our colleagues.

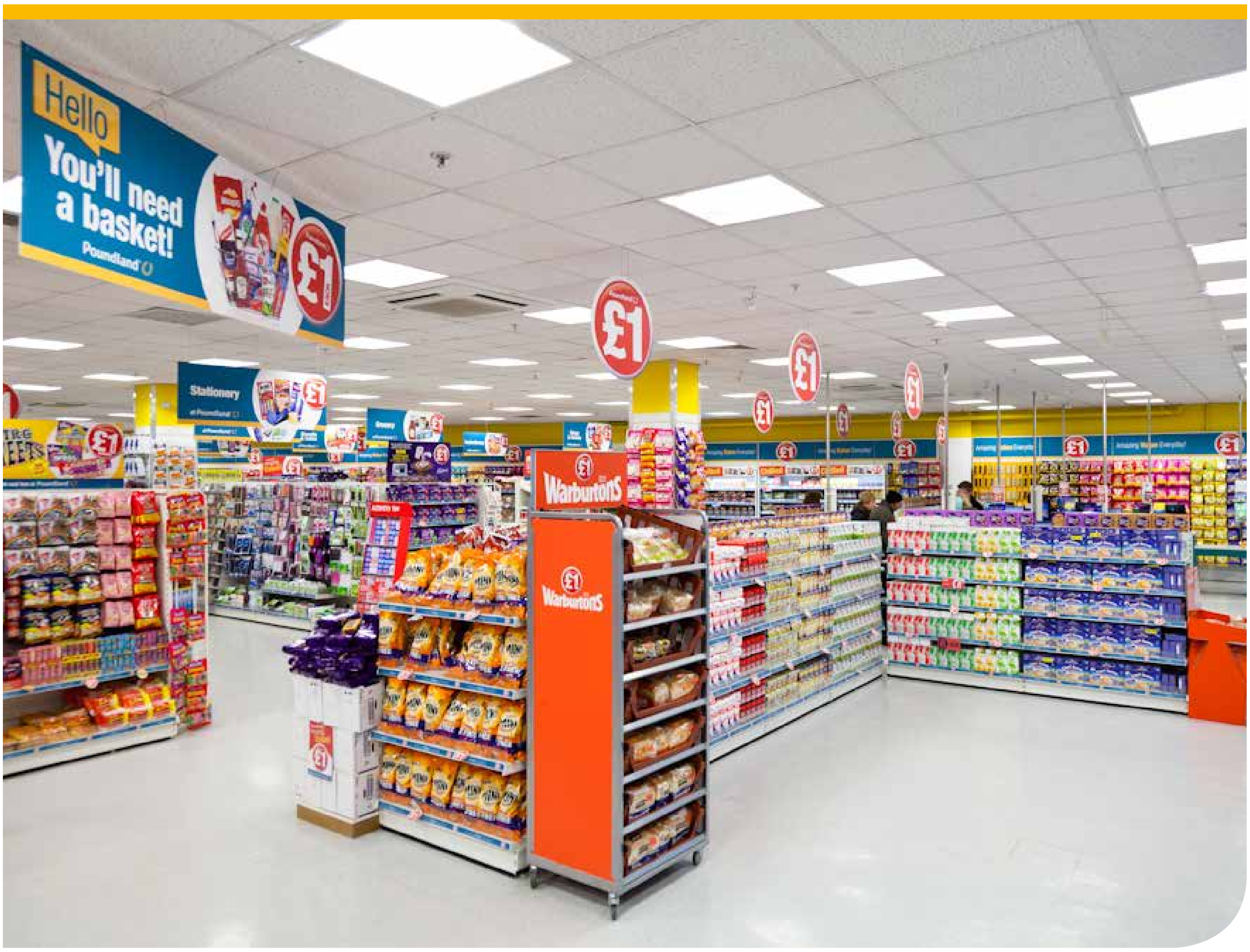
All colleagues have access to a wide range of benefits via our benefits platform offering discounts for colleagues and their families to enjoy. From childcare vouchers and improved healthcare, through to special discounts in leisure and lifestyle, we offer something for everyone.

Our colleagues' welfare and wellbeing is important to us and we work in partnership with the Retail Trust who offer our colleagues an employee assistance program which is a free, confidential and independent service to support colleagues at times of need. This service is offered 7 days a week and 365 days a year.

We are interested in what our colleagues have to say and use various means of communicating with them on a regular basis. Our colleagues are represented at the biannual JCC meetings held between the Company and our union (USDAW). In addition the Company has a whistleblowing policy which allows colleagues to raise any concerns in confidence. We also use colleague surveys as a way of gaining feedback on matters that are important to our colleagues and encourage their engagement in company projects.

Local community support

Our new store opening programme and expansion plans means that we are creating jobs and opportunities for over 1,000 new colleagues annually. We work closely with local job centres and the DWP in helping the unemployed gain long term employment and skills and qualifications to improve their employability. We take our corporate responsibility seriously and the role we play is having a positive impact on local communities.



Training

All new colleagues receive an induction programme tailored to the role they will perform. We review our training regularly to update and improve practice. A recent update has seen training taken out of the classroom and onto the shop floor. Brand new materials have been introduced called 'Conversation Cards'. These cards are relaxed, informal and help Managers to train their colleagues on all aspects of their job. Colleagues love this new approach as it is easy, simple and practical to understand.

Managers now receive a 'Management Organiser' on day one when they join us, which tells them everything they need to know about our business and their induction. The new induction is a structured three month programme that they take responsibility for, supported by a Training Manager.

We want all our people to have the right knowledge and skills so they can be brilliant at their jobs. We have launched a number of training programmes for our Managers, these modules run every three months and support our Managers to understand how we manage and lead 'The Poundland Way'.

Sharing our knowledge

Poundland once again supported IGD's 'Feeding Britain's Future' event in which workshops were offered around the UK to young people who want to pursue a career in retail. They visited Poundland stores and were given a flavour of what life in retail is all about, with additional support provided on how to write their CVs and deliver a great interview. We've also supported the charity "Think Forward" who work with at risk youths at school. Poundland has run a number of talent days to help young people understand what a career in retail is like.

OUR DIRECTORS

Andrew Thomas Higginson
(Independent Non-Executive Chairman)

Andrew joined the Board as Independent Non-Executive Chairman in July 2012. Having started his career in FMCG with Unilever and Guinness, Andrew has spent the last 22 years in retail. His roles have included Group Finance Director of Laura Ashley Holdings, The Burton Group, and 15 years as an Executive Director of Tesco plc including 11 years as Finance and Strategy Director, and four years running their Retail Services Division (Tesco.com, Tesco Bank, Tesco Telecoms and DunnHumby).

Andrew retired from Tesco plc and is now Chairman of both N Brown plc and Poundland. He is also a non-executive director of BSkyB, Woolworths (South Africa), McCurrach UK and the Rugby Football Union.

James John McCarthy
(Chief Executive Officer)

Jim joined Poundland as Chief Executive Officer in August 2006. Prior to joining Poundland, Jim was Managing Director of Convenience, J Sainsbury plc and was a member of the operating, retail and investment boards.

Jim's experience extends to over 40 years in retail including ten years as Chief Executive of T&S Stores plc (operated over 1,200 stores and sold to Tesco plc), Managing Director of Neighbourhood Retailing (part of Next plc) and Managing Director of Birmingham Post & Mail Limited's retail estate.

Jim is also non-executive chairman at AIM listed Wynnstay Group plc.

Nicholas Roger Hateley
(Chief Financial Officer)

Nick is a Fellow of the Chartered Institute of Management Accountants and holds an MBA.

Nick joined Poundland as Chief Financial Officer in October 2006. He joined from J Sainsbury plc where he was the Finance Director of Sainsbury's Convenience Stores.

Nick has 25 years' experience in finance and business improvement which he gained at PricewaterhouseCoopers, Accenture and Lucas Industries plc.

Richard Lancaster
(Trading Director)

Richard joined Poundland as Trading Director in July 2012 and is responsible for Trading & Marketing. He was appointed an Executive Director in 2014. Richard joined the industry from Cambridge University in 1986 developing the family chain of convenience stores which was subsequently sold to Jacksons Convenience Stores. Richard became Trading Director for J Sainsbury local convenience format. He then became Managing Director of Netto Food Stores followed by his appointment at Wm Morrison Supermarkets PLC, firstly as Senior Trading Director - ambient, then Marketing Director.

Stephen Coates
(Non-Executive Director)

Steve joined Poundland as a Non-Executive Director in April 2010. Having joined Warburg Pincus in 2003, Steve focuses on the firm's European investment activities in Consumer and Industrial markets. Previously Steve worked at Permira, 3i and Arthur Andersen.

He is also a director of Survitec (Finance 1) Limited and Clondalkin Group (Holdings) B.V.

COMPANY INFORMATION

Company Secretary

Jinder Jhuti

Financial Calendar.

19 September 2014 – Annual General Meeting

November 2014 – Interim Results.

Each Shareholder is entitled to attend and vote at the Annual General Meeting.

Registered & Head Office

Wellmans Road, Willenhall, West Midlands WV13 2QT
Registered in England No: 8861243

Website: www.poundlandcorporate.com

We encourage our Shareholders to visit our website to keep up to date on information specifically for them.

Paul Best
(Non-Executive Director)

Paul joined Poundland as a Non-Executive Director in April 2010, having joined Warburg Pincus in 2002. Paul is responsible for investments in the European consumer and healthcare sectors. Prior to joining Warburg Pincus, Paul worked at Morgan Stanley in the investment banking and fixed income divisions and has also been involved in cable investing activities in Europe. He served as a director of Ziggo N.V.

Paul is currently a director of INEA S.A.

Darren Shapland
(Independent Non-Executive Director)

Darren joined the Board as Senior Independent Director in 2014. He brings extensive retail knowledge and broad public company experience gained throughout his career, most recently as Chief Executive Officer of Carpetright plc. Prior to this, Darren spent six years at J Sainsbury plc, initially as Chief Financial Officer and subsequently as the Group Development Director.

Darren is Chair of the Audit Committee and a Non Executive Director at Ladbrokes plc and Non Executive Director of Wolseley plc.

Trevor Bond
(Independent Non-Executive Director)

Trevor joined the Board in 2014 and chairs the Audit and Risk Committee. He is President and Chief Customer Officer at Mondelez International (formerly Kraft Foods, Inc.) From 2010 to 2012 Trevor was President, Markets and Sales for Kraft Foods Europe, with responsibility for the country commercial units. He has spent most of his career with Cadbury (acquired by Mondelez International in 2010), joining the company in 1986. He built a strong track record as he assumed increasingly senior general management and finance roles across Europe, the Americas and Asia. Prior to his role at Kraft Foods Europe, Trevor led the Cadbury business in Britain and Ireland, delivering impressive growth in these mature markets.

Teresa Colaianni
(Independent Non-Executive Director)

Tea joined the Board in 2014 and Chairs the Remuneration Committee. She is Group HR Director for Merlin Entertainments plc, which floated on the London Stock Exchange in November 2013. Having begun her career as a European Employment lawyer in Brussels, advising multinational companies on EU related affairs, she moved into Human Resources and subsequently re-located to London. Tea has worked across a number of industries, recently heading up the Human Resources function in Europe for Hilton Hotels Corporation.

Grant Hearn
(Independent Non-Executive Director)

Grant joined the Board in 2014 and Chairs the Governance and Nominations Committee. He is the former Chief Executive Officer of Travelodge. During his 10 year career with the hotel business Grant also served as Executive Chairman. He has a wealth of experience in the hotel and travel industry having previously held senior positions at Hilton Group and Whitbread.

ADVISORS

Auditors:	KPMG LLP, One Snowhill, Snowhill Queensway, Birmingham B4 6GH
Bankers	Lloyds Bank plc Barclays Bank plc The Royal Bank of Scotland plc Santander UK plc
Joint Brokers:	J.P. Morgan Securities plc, 25 Bank Street, London E14 5JP Shore Capital Stockbrokers Limited, Bond Street House, 14 Clifford Street, London W1S 4JU
Corporate Solicitors:	Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS
Registrars:	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE

OUR EXECUTIVE TEAM

Tim McDonnell
(Retail Operations Director)

Tim joined Poundland in August 2006 as Regional Manager with responsibility for Retail Operations in the north of the country. Prior to that, Tim worked for Kwik Save and Somerfield Stores Ltd for over 20 years holding a number of roles in both Retail Operations and Human Resources. He was a Regional Director at Somerfield prior to joining Poundland.

Craig Bales
(Property Director)

Craig joined Poundland in December 2004 as Property Director with responsibility for the effective management and development of the Poundland property portfolio. Craig has 20 years' experience in commercial property specialising in retail agency. He spent ten years as Partner at Johnson Fellows and then created niche retail agency business-Craig Bales & Company, which was subsequently sold to Lambert Smith Hampton. Prior to joining Poundland, he sat on the board of Lambert Smith Hampton.

Andy Monk
(Supply Chain Director)

Andy joined Poundland in 2009 as Supply Chain Director. He now has responsibility for the entire supply chain where his priorities are managing the distribution of stock around the Group, optimising the level of stock holding through the supply chain whilst improving the availability of stock on the shelf in stores. Prior to joining Poundland, Andy was Distribution Director for Somerfield Stores Ltd where he rationalised their network by consolidating the former Kwik Save and Somerfield networks and latterly the sale of Kwik Save. He has 30 years' experience in distribution and has held a wide number of Development and Operational roles within own-account and third-party logistics companies. He also gained international experience whilst working for Tibbett and Britten in North America.

Mike Gray
(IT Director)

Mike joined Poundland in 2003 as a Senior Controller with responsibility for developing IT capability. Appointed to the Board of Poundland Limited in March 2012 Mike is responsible for IT Strategy and the ongoing development and management of all aspects of IT. Mike has over 25 years' IT experience spanning travel and retail sectors. Prior to joining Poundland, Mike was Head of IT Services for TUI UK Limited.

Mark Powell
(Human Resources Director)

Mark joined Poundland in 2011 as Human Resources Director and was appointed to the Board of Poundland Limited in March 2012. His responsibilities include looking after the Group's people and continuous improvement strategies. Mark has over 20 years of Human Resources experience spanning the aerospace, food manufacturing, supply chain and retail sectors. Prior to joining Poundland, Mark was People Director at Fat Face Limited.

David Coxon
(International Development Director)

David joined Poundland in October 2005 as Buying & Merchandising Director, and now focuses on international development. David has over 25 years' commercial retailing experience in buying, marketing, retail operations and supply chain, both UK and International, having worked at Kwik Save, Allied Domecq, Minit Group and more recently Somerfield Stores Ltd. David will be retiring from Poundland in July 2014.

Jinder Jhuti
(Company Secretary and General Counsel)

Jinder joined Poundland in 2006 as Sole Counsel and Assistant Company Secretary and was appointed to the Board in January 2014. Jinder is responsible for managing legal risk, corporate compliance, insurance, customer relations and health and safety. She has over 24 years' experience in the legal sector. Prior to joining Poundland Jinder worked in-house at Alliance & Leicester (now Santander Bank) and Barclays Bank plc in addition to having worked in private practice at Martineau Johnson.

DIRECTORS' REPORT

The Directors present their Annual Report and Financial Statements for the year ended 30 March 2014 which were approved by the Board of Directors on 2 July 2014.

Strategic Report

The Directors have presented their Strategic Report, which was approved by the Board of Directors on 2 July 2014, on page 7 to 28, and which contains (a) a fair review of the Group's business and (b) a description of the principal risks and uncertainties facing the Group. The review is intended to be a balanced and comprehensive analysis of the development and performance of the Group's business during the financial year and the position of the Group's business at the end of that year. The report includes, to the extent necessary for an understanding of the development, performance or position of the Group's business, analysis using financial key performance indicators.

As the Company is now a quoted company, the Strategic Report also, to the extent necessary for an understanding of the development, performance or position of the Group's business, includes the main trends and factors likely to affect the future development performance and position of the Group's business. It also includes information about environmental matters, the Group's employees and social and community issues and the policies that the Group has in place to deal with these issues and their effectiveness.

The Report of the Directors should be read in conjunction with the Strategic Report, and contains details of the principal activities of the Group during the year.

Going Concern

The Board is of the opinion that there is a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Board has taken account of current and anticipated trading performance, current and anticipated levels of borrowings and the availability of borrowing facilities and exposures to and management of the financial risks detailed on pages 20 and 21. Consequently, the going concern basis has been used in the preparation of the Company and Group financial statements.

Results and Dividend

The Group's consolidated profit for the year attributable to Shareholders of the Company is £13.9 million.

The Directors intend, subject to sufficient distributable reserves being available, as noted in the Prospectus issued to prospective Shareholders prior to Admission to Listing, that the first dividend to be declared by the Group following Admission to Listing will be the interim dividend in respect of the first half of the 2015 financial year, which is expected to be paid in January 2015.

Political Donations

The Group has not made in the past, nor does it intend to make in the future, any political donations.

Employees

At the date of this report the Group employed 13,973 colleagues; 5,981 male and 7,992 female colleagues.

The Directors believe that the Group's relations with its employees have been and continue to be good. The Directors also believe that relations with its trade unions are also good. Poundland Limited is party to a recognition agreement with the Union of Shop, Distributive and Allied Workers, which applies on a company-wide basis across all offices, distribution centres and retail stores. There has been no industrial action that has affected the Group in recent years.

The Group communicates with its colleagues, both UK based and elsewhere, on matters of concern to them and on more general matters by way of notice boards, the circulation of emails, monthly updates in person and a series of annual conferences covering all geographical areas in which the Group operates. The Executive Directors and Executive Team also visit retail and distribution sites on a regular basis throughout the year and colleagues are encouraged to raise matters of concern with them during these visits.

The Group has a policy of giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, for continuing the employment of, and for arranging appropriate training for, employees who have become disabled persons during the period when they were employed by the Group and for their training, career development and promotion.

Directors

The Directors of the Company as at 30 March 2014 and their interests in the shares of the Company are shown on page 49.

The Company has customary directors' and officers' indemnity insurance in place in respect of each of the Executive Directors. The Company has entered into a qualifying third-party indemnity (the terms of which are in accordance with the Companies Act 2006) with each of the Executive Directors.

There have been no changes in the make-up of the Board between the end of the Financial Year and the date of this report.

As detailed in the Articles, at every annual general meeting other than the first Annual General Meeting due this year, all Directors at the date of any subsequent notice of Annual General Meeting shall retire from office. Consequently, the Directors currently holding office will not be required to seek re-election until the Annual General Meeting to be held in 2015.

Share Capital and Shareholders

Details of the Company's Share Capital, including changes in the issued Share Capital in the year under review and since the year-end up to the date of this report, are set out in Note 21 to the consolidated financial statements which form part of this report on page 85
The rights and obligations attaching to the ordinary share capital of the Company are contained within the Company's Articles of Association which were adopted on 11 March 2014.

Details of awards outstanding under share-based incentive schemes are given in Note 22 to the consolidated financial statements which form part of this report on page 86. Details of the share-based incentive schemes in place are provided in the Directors' Remuneration Report on pages 40 to 41.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every holder of ordinary shares present in person or by proxy and entitled to vote, shall have one vote for every ordinary share held.

The notice of the Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be put to the Annual General Meeting. All proxies are counted and the numbers for, against or withheld in relation to each resolution are announced and published on the Group's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in the ordinary shares of the Company. In Pursuant to the Underwriting Agreement, the Company and the Warburg Pincus Funds have each agreed, subject to certain customary exceptions, during the period of 180 days from the date of Admission, not, without the prior written consent of Our Current Joint Brokers, to issue (in the case of the Company only), offer, lend, sell or contract to sell, grant any option, right or warrant to subscribe or purchase or allow any encumbrance to be created over or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as, or agree to do, any of such things, or publicly announce any intention to do any of the foregoing.

Pursuant to the Underwriting Agreement, the Directors, the Exective Team and certain other Shareholders have agreed that, subject to certain customary exceptions, during the period of 365 days from the date of Admission, not, without the prior written consent of the our current Joint Broker, to offer, lend, sell or contract to sell, grant any option, right or warrant to subscribe or purchase or allow any encumbrance to be created over or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as, or agree to do, any of such things, or publicly announce any intention to do any of the foregoing.
The Company is not aware of any other agreements between Shareholders that restrict the transfer of shares or voting rights attached to the shares.

Greenhouse Gases

A summary of how the Group recognises its responsibility to colleagues, customers, environment (including greenhouse gas emissions) and community is contained with the Corporate and Social Responsibility Report on pages 22 to 25 which forms part of this report.

Substantial Shareholders

At 2 July 2014, the following interests exceeding the 3% disclosure threshold were recorded in the register of the Company kept in accordance with Section 808 of the Companies Act 2006.

Name	%
Warburg Pincus LLC	30.40
FIL Limited/FMR LLC	10.22
Kensico Capital Management Corp.	5.69
AXA Investment Management	4.61
J P Morgan Asset Management	4.20
James John McCarthy	3.87
AXA Framlington	3.27

1. Includes shares owned by connected persons.

Additional Information for Shareholders

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code and the Companies Act 2006 and related legislation. The Articles of Association themselves may be amended by special resolution of the Shareholders.

The powers of the Directors are detailed in the Corporate Governance Report on pages 32 to 34.

The Directors will, at the 2014 Annual General Meeting, seek authority to purchase the Company's own shares within certain limits. Although no such purchases are planned at this time, details are given in the Notice of the Annual General Meeting.

Change of Control

A number of agreements take effect, alter or terminate upon a change of control of the Group, such as bank loan agreements and employee share-based incentive schemes.

The Company's main credit facilities, including the committed bank facilities dated 17 March 2014, contain a provision such that in the event of a change of control, the facilities will be cancelled and all outstanding amounts, together with accrued interest, will become repayable on the date falling 30 days following written notice being given by the lenders that the facilities have been cancelled.

Annual General Meeting ("AGM")

A notice convening the Company's first AGM will be issued to shareholders separately. In addition to the ordinary business of an AGM, the Directors are seeking certain other authorities, details of which are set out in the notice.

Corporate Governance

The Statement of Compliance with the UK Corporate Governance Code and description of the Group's corporate governance framework with the Corporate Governance Report are included on pages 32 to 34 which form part of this report.

Disclosure of information to Auditors

As at the date of this report, as far as each Director is aware, there is no relevant audit information of which the Group's Auditors are unaware, and each Director has taken all the steps that ought to have been taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors were aware of that information.

Auditor

Resolutions to re-appoint KPMG LLP as Auditor and to authorise the Directors to determine its remuneration will be proposed at the Annual General Meeting.

Information regarding forward-looking statements

These Reports and Financial Statements include forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these Reports and Financial Statements and include statements regarding the intentions, beliefs or current expectations of the Directors or the Company concerning, among other things, the results of operations, financial condition, prospects, growth, strategies (including continued store roll out plans), and dividend policy of the Company and the industry in which it operates. In particular, the statements regarding the Company's strategy and other future events or prospects are forward-looking statements.

Responsibility statement of the Directors in respect of the Annual Report and Financial Statements

The Board of Directors confirm that, to the best of their knowledge, the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole and the Strategic Report, shown on page 7 and this Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face as shown in the Strategic Report on pages 7 to 28.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; and
- the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Jinder Jhuti
Company Secretary
2 July 2014

CORPORATE GOVERNANCE

The Board and its Role

The Board is committed to the highest standards of corporate governance. Other than as set out below the Company has complied, and intends to continue to comply, with the requirements of the UK Corporate Governance Code.

The Board has a schedule of matters which are reserved for its own consideration, which includes:

- The overall management of the Company and the Group and the approval of long-term objectives and commercial strategy;
- Changes relating to the capital structure of the Company;
- Approval of financial reporting, dividend policy and significant changes in accounting policies and practices;
- Ensuring the maintenance of a sound system of internal control and risk management;
- Major capital projects and corporate actions, acquisitions, disposals or material joint ventures;
- Ensuring a satisfactory dialogue with Shareholders based on a mutual understanding of objectives;
- Board membership and senior appointments within the Group;
- Remuneration of Board members and Executive Team; and
- Approval of the Group's principal professional advisors.

The Board has delegated a number of these responsibilities to standing committees of the Board, as detailed below, and also to the executive management of the Group having first approved the terms of reference of those committees and the authority limits of management and receives regular reports in respect of all delegated authorities.

The Board comprises ten members, including three Executive Directors and seven Non-Executive Directors (including the Chairman). For the purposes of the UK Corporate Governance Code, the Board regards Andrew Higginson, the Chairman, as independent on his appointment and regards Darren Shapland, Trevor Bond, Tea Colaianni and Grant Hearn as independent Non-Executive Directors. Darren Shapland is the Company's Senior Independent Director. Paul Best and Stephen Coates, as Non-Executive Directors nominated by the Warburg Pincus Funds, are not regarded as independent for the purposes of the UK Corporate Governance Code.

In addition to his Chairmanship of Poundland Group plc, Andrew Higginson is also Chairman of N Brown plc and a Non-Executive Director of BSkyB, Woolworths (South Africa), McCurrach UK and the Rugby Football Union.

Independence is determined by ensuring that, apart from receiving their fees for acting as Directors, Non-Executive Directors do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect their independence of judgement.

The UK Corporate Governance Code recommends that at least half the Board of Directors of a UK-listed company, excluding the Chairman, should comprise Non-Executive Directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement.

The Company does not comply with this recommendation of the UK Corporate Governance Code. As mentioned above, Messrs. Best and Coates are not independent as they have been nominated to act as Non-Executive Directors by Poundland's principal shareholder, Warburg Pincus Funds who have entered into a Relationship Agreement with the Company under the terms of which, for as long as they and their associates control in excess of 30% of the votes able to be cast, they are entitled to appoint two Non-Executive Directors. When they control between 15% and 30% of votes they will be entitled to appoint one Non-Executive Director. They currently control 30.4% of votes.

The Directors believe that the terms of the Relationship Agreement will enable Poundland to carry on its business independently of Warburg Pincus Funds.

Conflicts of Interest

Paul Best and Stephen Coates are principals at Warburg Pincus. Warburg Pincus wholly owns the Warburg Pincus Funds which control 30.4% of the voting rights in the Company.

Save as set out in the paragraph above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests or other duties.

Committees of the Board

As envisaged by the UK Corporate Governance Code, the Board has established an Audit and Risk Committee, a Governance and Nomination Committee and a Remuneration Committee. If the need should arise, the Board may set up additional committees.

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The Audit and Risk Committee will normally meet not less than three times a year.

The Audit and Risk Committee is chaired by Trevor Bond and its other members are Darren Shapland, Tea Colaianni, and Grant Hearn. The UK Corporate Governance Code recommends that all members of the Audit and Risk Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that one such member has recent and relevant financial experience. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

Governance and Nominations Committee

The Governance and Nominations Committee assists the Board in reviewing the structure, size and composition of the Board, reviewing succession plans for the Directors, including the Chairman and Chief Executive Officer and other senior executives and ensuring legal and regulatory compliance in respect of corporate governance. The Governance and Nomination Committee will normally meet not less than twice a year.

The Governance and Nominations Committee is chaired by Grant Hearn and its other members are Darren Shapland, Trevor Bond, Tea Colaianni and Paul Best. The UK Corporate Governance Code recommends that a majority of the Governance and Nomination Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

When the Board wishes to appoint a Director, the Committee will take the lead in the process and, after taking due account of the balance of skills, knowledge, experience, independence and diversity on the Board, will prepare a description of the role, required capabilities and expected time commitment and, using external agencies if appropriate, will identify suitable candidates for consideration by the Board as a whole.

The Committee will also make recommendations to the Board regarding the make-up of Board Committees, whether to reappoint Directors at the end of their term of office and make recommendations about the re-election of Directors put forward for retirement by rotation. The Committee will also consider the diversity of the Board.

In addition, the Committee will be responsible for ensuring that the Company complies with, and where possible exceeds, all laws and regulations to do with the good and ethical governance of corporate entities and that all such matters are kept under constant review and relevant mitigating actions are taken if required.

Remuneration Committee

The Remuneration Committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman and other senior executives and prepares an Annual Remuneration Report for approval by the Shareholders at the Annual General Meeting. The Remuneration Committee will normally meet not less than three times a year.

The Remuneration Committee is chaired by Tea Colaianni and its other members are Andrew Higginson, Darren Shapland, Trevor Bond and Grant Hearn. The UK Corporate Governance Code recommends that all members of the Remuneration Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Board considers that the Group complies with the requirements of the UK Corporate Governance Code in this respect.

Since the time of its inauguration, the Committee has employed external advisors, New Bridge Street, a consulting agency which specialises in executive remuneration, to advise and assist in formulating and introducing a sustainable remuneration policy.

Director's Attendance Chart

The schedule below details meetings from the date of incorporation up to 30 March 2014:

Director	Board Meetings (4 meetings)	Remuneration Committee (2 meetings)	Audit and Risk Committee	Governance and Nominations Committee
Andrew Higginson	4	2	-	-
Jim McCarthy	4	1	-	-
Nick Hateley	4	-	-	-
Richard Lancaster	3	-	-	-
Stephen Coates	4	-	-	-
Paul Best	4	-	-	-
Darren Shapland	4	2	-	-
Trevor Bond	3	1	-	-
Tea Colaianni	4	2	-	-
Grant Hearn	4	2	-	-

Audit and Risk Committee and Governance and Nominations Committee meetings have been held since the year end.

Board Performance Evaluation

Due to the relatively short time that it has been in existence, the Board has not yet completed a performance evaluation. However, a performance evaluation to assess the effectiveness of the Chairman, individual directors, the standing committees of the Board and the Board as a whole will be undertaken on an annual basis and will, every third year, as required by the UK Corporate Governance Code, engage with an external agency to assist in the process.

Shareholder Communication

The Board believes that it is important to explain business developments and financial results to all of the Company's stakeholders, including Shareholders and also to understand any concerns that Shareholders may have. The principal communication media used to impart information, including financial results, are news releases, investor presentations and visits and Company publications.

The Company will also communicate with its Shareholders through the Annual General Meeting at which the Board will give an account of the progress during the preceding year, review current issues and provide Shareholders the opportunity to ask questions of the Chairman and the Chairs of the Board's standing committees who will all be in attendance.

In addition, the Company will consult with its larger Shareholders on any issue on which it considers it appropriate to do so or where it needs to canvass views before taking any particular course of action.

CORPORATE GOVERNANCE continued

Internal Controls and Risk Management

Overall responsibility for the system of internal control, reviewing its effectiveness and ensuring that there is a process to identify, evaluate and manage any significant risks that may affect the achievement of the Company's strategic objectives lies with the Board.

The Board and the Audit Committee have reviewed the effectiveness of the Group's internal control and risk management systems in accordance with the UK Corporate Governance Code for the period ended 30 March 2014 and up to the date of approving the Annual Report and Financial Statements. The internal control and risk management system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group's Executive Team principally reviews the effectiveness of controls operating within the business. The Audit Committee is reviewing and assessing whether or not an independent, standalone Internal Audit function would be more appropriate to the needs of the business.

The assessment and control of risk are considered by the Board to be fundamental to achieving corporate objectives. An ongoing process of identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls has been established. The key elements are:

- a comprehensive system of reporting from executives identifying performance against budget, analysis of variances, major business issues, key performance indicators and regular forecasting;
- well defined policies governing appraisal and approval of capital expenditure and treasury operations; and
- reviews of key business risks and of management's controls and plans to mitigate these risks.

During the financial period to 30 March 2014 and up to the date of this report, the Audit Committee and management considered the Company's Risk Register and its alignment with the Company's strategic objectives, reporting the findings to the Board. The Board considered the key risks and relevant mitigating actions and determind that they were acceptable for a retail business of the size and complexity as that operated by the Company. More information on the key risks and uncertainties faced by the Company are shown on pages 20 to 21.

Whistleblowing Policy

Unfortunately from time to time all companies face the risk of things going wrong or of malpractice taking place. Poundland is no exception.

The Company has a duty to conduct its affairs in an open and responsible way. We are committed to high standards of corporate governance and compliance with legislation and appropriate codes of practice. By knowing about any wrong doing or malpractice at an early stage, we stand a good chance of taking the necessary steps to stop it. We have a policy in place which is designed to encourage colleagues to identify such situations and report them without fear of repercussions or recriminations provided that they are acting in good faith.

The policy sets out how any concerns may be raised and response can be expected from the Company and in what timescales.

External Auditors' Independence Statement

Professional ethical standards require KPMG LLP ("KPMG") to communicate to the Company as part of planning all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in their professional judgement, may reasonably be thought to bear on KPMG's independence and the objectivity of the audit partner and audit team.

KPMG have confirmed that they are satisfied that their general procedures support their independence and objectivity.

UK Corporate Governance Code – Compliance Statement

The UK Corporate Governance Code published by the Financial Reporting Council in September 2012 ("the Code") applies to the Company and is available on the FRC website at www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.pdf. In addition, the Financial Conduct Authority has yet to change the Listing Rules and therefore requires that certain compliance statements are made in relation to the predecessor edition of the Code, issued in June 2010. This report addresses the requirements of both editions of the Code. For the period from 17 March 2014 to 30 March 2014, the Company complied with the provisions of both editions of the Code, as applicable, except where stated.

AUDIT AND RISK COMMITTEE REPORT

Dear Shareholder,

I am pleased to present to you, on behalf of the Board, the first report of the Audit and Risk Committee.

The Committee was inaugurated by resolution of the Board of Directors on 27 February 2014 in readiness for the Company's Admission to Listing in March 2014.

As you are no doubt aware, the UK Corporate Governance Code ("the Code") recommends that all members of the Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that one such member has recent and relevant financial experience. Consequently, with this in mind, the Committee is comprised of the Independent Non-Executive Directors of the plc Board. The make-up of the Committee is given in the Report below.

The Committee was set up by the Board to assist it with its responsibilities in respect of financial reporting, including reviewing annual and half-year results, external auditing, internal controls, and advising on the independence and appointment of the external auditors.

The Committee will be routinely looking at the significant accounting treatments facing the Group and at the year-end will focus on the matters raised by KPMG which they consider to be of significant audit risk.

Based on their performance during 2013/14, the Committee will be recommending KPMG be reappointed at the AGM.

2013/14 has been an unusual and very busy year for colleagues across the business who have succeeded in coping with all the extra work associated with becoming a public listed company whilst still maintaining adequate controls and "business as usual" as far as the world at large, in particular our customers, were concerned. We look forward to continuing to learn from our experiences in the listed company environment as well as continuing to provide amazing value to our customers every day.

Trevor Bond
Chairman of the Audit and Risk Committee
2 July 2014

Listing onto the London Stock Exchange

The Audit and Risk Committee ("the Committee") is a standing committee of the Board of Directors of the Company, established by a resolution of the Board at its meeting held on 27 February 2014. The Committee became effective from Listing on the London Stock Exchange on 17 March 2014.

Role of the Committee

The Committee has received delegated authority from the Board to assist it in its responsibilities in respect of financial controls and reporting as set out in its written Terms of Reference, which are available to Shareholders on the Company's website under "Corporate/ Investors/ Corporate Governance". The primary purposes of the Committee are:

- Reviewing the Group's annual and half-year financial statements and accounting policies;
- Ensuring that the Annual Report is fair, balanced and understandable;
- Reviewing external audits and internal controls and ensuring their effectiveness;
- Reviewing the external auditor's management letter on internal financial controls;
- Reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by the external auditors; and
- Advising on the independence and appointment of external auditors.

In addition, going forward, the Committee will review whether there is a need to establish an internal audit function and will also review the whistleblowing and fraud policies to measure their effectiveness. In addition, whilst the Board has retained overall responsibility for the Risk Register, it has delegated to the Committee the review of the risks contained therein.

AUDIT AND RISK COMMITTEE REPORT continued

Composition of the Audit and Risk Committee

The Committee is comprised exclusively of Independent Non-Executive Directors of the plc Board. The Committee is chaired by Trevor Bond and its other members are Darren Shapland, Tea Colaianni, and Grant Hearn. The Secretary of the Committee is the Company Secretary, Jinder Jhuti.

The Board is satisfied that Trevor Bond has recent and relevant financial experience appropriate to his position as Chairman of the Audit and Risk Committee. In addition Darren Shapland is also a qualified accountant.

Although not a member of the Committee, there is a standing invitation to the Company Chairman, Andrew Higginson, to attend meetings. The Committee also invites to attend, on a regular basis, Nick Hateley in his capacity as Chief Financial Officer, along with the external auditor. Also, the Committee intends to meet regularly with the external auditor with no members of management present.

Number of Audit and Risk Committee meetings and attendance

The Committee will meet a minimum of three times per year and all members expect to be available for all meetings.

No meetings of the Committee were held in the year under review but two meetings have been held between the start of the current financial year and the publication of this Annual Report and Financial Statements.

Work undertaken by the Committee in relation to 2014 Financial Statements

Although the Committee did not come into operation until 17 March 2014, a number of significant matters have been discussed and considered:

- Approved 2014 audit plan, audit fee proposal and set performance expectations for the auditors;
- Reviewed the integrity of the draft financial statements for the year ended 30 March 2014, appropriateness of accounting policies and going concern assumption;
- Considered the auditors' report regarding their findings on the 2014 annual results;
- Reviewed and recommended approval of the 2014 Annual Report and Financial Statements;
- Confirmed compliance or explained deviation from the UK Corporate Governance Code;
- Reviewed audit and non-audit expenditure with the external auditors during the year; and
- Having reviewed the performance, effectiveness and qualifications of the auditors, recommended their re-appointment at the AGM.

Significant issues considered by the Audit and Risk Committee

Following discussion with both management and the external auditors, the Committee determined that the area of significant risk that could give rise to misstatement of the Group's financial statements included, but were not limited to:

- valuation of inventory

This item was considered by the Committee at the time they reviewed and agreed the external auditor's Group audit plan, to ensure that due consideration was given at that point, as well as at the time of reviewing the external auditor's final audit findings.

With regard to the valuation of inventory, the Committee reviewed the inventory balances and the related provisions against carrying values. Having considered the appropriateness of such provisions and taking into account the results of the external audit, the Committee concurred with management's judgement on this issue.

Another area of audit focus which was considered at the time of the Committee review and agreed with its external auditors for inclusion in the Group's audit plan was: Intangible Assets - goodwill and brand value. The Committee reviewed the assumptions used to justify that there was no impairment to goodwill and brand value and were comfortable with them. Significant headroom was identified so it was concluded that this was not a significant risk that could give rise to misstatement of the Group's financial statements.

Management have reported to the Committee that they were not aware of any material misstatements made intentionally to achieve a particular presentation. The auditors reported to the Committee any misstatements that they had found in the course of their work and no material adjustments were required.

After reviewing the presentations and reports from management and consulting where necessary with the auditors, the Committee was satisfied that the financial statements appropriately addressed the critical judgements and key estimates both in respect of the amounts reported and the disclosures. The Committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities had been appropriately scrutinised and challenged and were sufficiently robust.

The Committee confirmed that it was satisfied that the auditors had fulfilled their responsibilities with due diligence and professionalism.

Internal audit

The Company does not have a stand-alone Internal Audit Department. Its internal controls are currently maintained by the Group's management. Whilst the Committee is happy that the current system is adequate it will, as part of its remit, evaluate the effectiveness and robustness of the current system of control as the Group grows before deciding whether or not it should remain in place or to recommend changes to the way it operates or to recommend to management that a new and independent Internal Audit Department would be more appropriate and to set down the guidelines for the operation of such a department.

Internal controls

The Company operates various levels of control against which the risks of the business are managed. As with any business, the Company faces risk in all its activities. Management is responsible for, inter alia, establishing and maintaining adequate internal controls over financial reporting, including over the Group's consolidation processes.

The Board is responsible for the Group's systems of internal control and risk management and for reviewing their effectiveness. The Committee has considered the process by which the Group approaches risk management and is satisfied that the Group has systems and procedures in place to identify, evaluate and manage all material risks to the business, in accordance with the Turnbull Guidance.

These systems and procedures are designed to manage rather than eliminate risk of failure to achieve business objectives. They can only provide reasonable, and not absolute, assurance against material misstatement or loss. Specifically the Committee has reviewed the financial risk category and the internal controls in place. Similarly the Committee is satisfied that this process has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements and that the process will be regularly reviewed by the Board.

Assessing external audit effectiveness

The Committee oversees the Group's relationship with the external auditor. The Committee holds meetings with the auditor without management present with the purpose of understanding the auditor's views on the control and governance environment and management's effectiveness within it.

To fulfil its responsibilities in respect of the independence and effectiveness of the external auditor, the Committee reviewed:

- The terms, areas of responsibility, duties and scope of work of the external auditor as set out in the engagement letter;
- The audit work plan for the Group;
- The detailed findings of the audit, including a discussion of any major issues that arose during the audit;
- The letter from KPMG confirming its independence and objectivity;
- The audit fee and the extent of non-audit services provided during the year; and
- The Committee specifically challenged and sought comfort from KPMG in respect of its work in the areas that drive audit quality.

Appointing the auditor and safeguards on non-audit services

The external auditors are appointed by Shareholders to provide an opinion on the financial statements and certain other disclosures prepared by the Directors. KPMG LLP "KPMG" acted as the external auditors to Poundland throughout the year.

Under normal circumstances non-audit services are subject to market tender or tests and are awarded to the most appropriate provider but, because of their extensive working knowledge of the Poundland Group, the Board at the time that the IPO was under consideration were of the opinion that KPMG were uniquely placed to undertake the considerable amount of work that was required to complete that process within the timescales required.

The Committee is responsible for the oversight of the external auditors, including approving the annual work plan and, on behalf of the Board, approving the audit fee. The auditors are eligible for selection to provide non-audit services only to the extent that their skills and experience make them a competitive and the most appropriate supplier of these services. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary.

The principle followed with regard to non-audit services is that the auditors may not provide a service which:

- Places them in a position to audit their own work.
- Creates a mutuality of interest.
- Results in the auditors developing close personal relationships with Poundland employees.
- Results in the auditors functioning as a manager or employee of Poundland.
- Puts the auditors in the role of advocate for Poundland.

Management will regularly provide the Committee with reports on audit, audit-related and non-audit expenditure, together with proposals of any material non-audit related assignments. The Committee will regularly review and, where necessary, challenge management to ensure that auditor objectivity and independence is not impaired. The Committee will be formulating a formal policy, with built in levels of authority, to control the awarding of non-audit work to the Company's external auditor.

During the year under review the non-audit fees were 12 times the audit fee. This figure is distorted by the large amount of work undertaken by KPMG in respect of the IPO. Full details are given in Note 7 to the Financial Statements on page 74.

On balance, the Committee is satisfied that the overall levels of audit-related and non-audit fees, and the nature of services provided, are not such as to compromise the objectivity and independence of the external auditors.

KPMG has been appointed as auditors of Poundland Group plc for 1 year, being the period ended 30 March 2014. The Group will be giving consideration to the timing of the next formal tender in light of the Code, the recent Competition Commission and EU recommendations on audit tendering and rotation.

The Group has no contractual arrangements (for example, within borrowing arrangements) that restrict its choice of auditor.

Trevor Bond
Chairman of the Audit and Risk Committee
2 July 2014

DIRECTORS' REMUNERATION REPORT

Annual statement by the Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present, on behalf of the Board, the first remuneration report of the Remuneration Committee (the 'Committee') following the initial public offering (IPO) on 17 March 2014.

The work of the Remuneration Committee

The year ended 30 March 2014 was a major milestone in Poundland's history. The Committee was formally constituted at IPO, but the majority of its work took place prior to that event with a full review of the Company's remuneration policy undertaken.

A key objective of this review was to ensure an appropriate remuneration policy was in place for a listed company, whilst also ensuring that it continued to drive the core behaviours and values that have been fundamental to the Company's success to date. The policy is designed to closely align variable pay with future company success, with rigorous and stretching targets in place for performance-related elements to be paid out.

Additionally since its formation, the Committee has adopted a range of new employee share plans, reviewed the bonus awards for the last financial year and considered broader all-employee pay review for the current year.

Objectives of the Remuneration policy

In setting the remuneration policy the Committee focused on simple and transparent market competitive remuneration and incentive schemes. The proposed policy is designed to:

- attract, retain and motivate high calibre senior management and to focus them on the delivery of the Company's strategic and business objectives;
- promote a strong and sustainable performance culture;
- incentivise high growth;
- align the interests of Executive Directors and members of the Executive Committee with those of shareholders through encouraging equity ownership;
- be simple and constructed taking into account best practice guidelines for UK listed companies; and
- encourage widespread equity ownership by colleagues through the operation of several tailored share plans, including an all-employee SAYE plan.

The key components of remuneration are set out in detail within the Remuneration Policy Report, which will be subject to a binding vote at our AGM.

Performance and reward for 2013/14

Financial performance in 2013/14 was very strong, representing a record year in Poundland's profits. However, despite the financial success, the Executive Directors together with the remainder of the Executive Team indicated that for this year they did not wish to be considered for a bonus, and agreed to spread the bonus pool more widely in celebration of the landmark IPO event.

On listing, the Executive Directors received their first awards under the Company's new Performance Share Plan (PSP), which was adopted at IPO. These awards will vest after three years provided that stretching performance targets are met. No further awards will be made until the financial year beginning 30 March 2015.

Shareholder feedback

The Committee recognises that building a close relationship with Shareholders can complement the work of the Committee in developing the remuneration policy. Prior to the publication of our first Directors' Remuneration Report we consulted with a number of our major Shareholders and leading investor representative bodies. One of our overarching aims has been to develop a remuneration policy which closely aligns the interests of our senior executives and our Shareholders, and with this in mind we have adopted share ownership guidelines and included clawback provisions in both our annual bonus and long-term incentive plans.

As this is the first time we are reporting to you, and the first time we will be asking you to approve the remuneration policy, we appreciate any feedback you may have.

Tea Colaianni
Chairman of the Remuneration Committee
2 July 2014

What is in this report?

The Directors' Remuneration Report sets out the remuneration policy for the Company, describes the implementation of that policy and discloses the amounts paid relating to the year ended 30 March 2014. It has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2013, the Listing Rules and shareholders' executive remuneration guidelines.

The Remuneration Policy Report for the Executive and Non-Executive Directors will be put to a binding shareholder vote at the Annual General Meeting on 19 September 2014. The policy will take formal effect from that date.

The Annual Statement from the Chairman of the Remuneration Committee and the Annual Report on Remuneration will be subject to an advisory vote at the AGM.

As explained in the basis of consolidation accounting policy, the Group's financial statements reflect the continuation of the pre-existing Group headed by Poundland Group Holdings Limited. In keeping with that accounting, the Company has chosen to also include the remuneration of these directors when they were directors of Poundland Group Holdings Limited or any of its subsidiaries.

Remuneration Policy Report

Policy overview

The Remuneration Committee has responsibility for determining remuneration for the Chairman, Executive Directors and other Senior Executives. The Committee's terms of reference are available on the Company's website.

On Admission in March 2014, a new remuneration policy was adopted by the Remuneration Committee. The Committee designed this policy with close regard to market practice in other UK listed companies and the Retail Sector, so as to ensure that the arrangements are appropriately competitive and structured in line with best practice. However, the policy also retains some of the key elements which helped to drive the Company's success prior to IPO, such as effective cost control and simplicity in pay structures.

The aim of the remuneration policy is to attract, retain and motivate high calibre senior management and to focus them on the delivery of the Company's strategic and business objectives, to promote a strong and sustainable performance culture, incentivise high growth and to align the interests of Executive Directors and Executive Team with those of Shareholders through encouraging equity ownership with shareholding guidelines. In promoting these objectives the policy aims to be simple in design, transparent and understandable both to participants and Shareholders, ensure that no more than is necessary is paid and has been structured so as to adhere to the principles of good corporate governance and appropriate risk management.

A further aim of the remuneration policy is to encourage widespread share ownership by colleagues throughout the Company, and in support of this objective we have adopted several new share plans which are designed with close regard to the various recipient groups to ensure optimal benefit delivery.

How the views of Shareholders and employees are taken into account

The Committee does not formally consult directly with employees on executive pay but does receive periodic updates from the Group HR Director in relation to salary and bonus reviews across the Company. As set out in the policy table overleaf, in setting remuneration for the Executive Directors, the Committee takes note of the overall approach to reward for employees in the Company and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. Thus, the Committee is satisfied that the decisions made in relation to Executive Directors' pay are made with an appropriate understanding of the wider workforce.

The Committee is conscious that this is the first time that Shareholders will vote on the remuneration policy since the Company's IPO and with this in mind we offered our largest Shareholders the opportunity to discuss our remuneration policy in advance of publication. In addition, we will consider any Shareholder feedback received in relation to the AGM.

This, plus any additional feedback received from time to time, will be considered as part of the Committee's annual review of remuneration policy.

The Committee will seek to engage with Shareholders and their representative bodies when it is proposed that any material changes are to be made to the remuneration policy. As Poundland has not held an AGM since listing, no voting outcomes are available and we will publish details of remuneration related voting outcomes in next year's Directors' Remuneration Report.

The remuneration policy for Executive Directors

The total remuneration package is structured so that variable elements (annual bonus and long-term incentives) make up a significant proportion of the package, with the emphasis on variable pay focused on long-term incentives. The table summarises the key aspects of the Company's remuneration policy for Executive Directors.

Element	Purpose and link to strategy
Salary	To recruit and reward executives of a suitable calibre for the role and duties required. Recognises individual's experience, responsibility and performance.
Benefits	To provide market competitive benefits to ensure the well being of employees.
Pension	To provide retirement planning to employees.
Annual bonus	To incentivise and reward individuals for the achievement of pre-defined, Committee approved, annual financial and operational objectives which are closely linked to the Corporate strategy.
Poundland Performance Share Plan ('PSP')	To incentivise and recognise execution of the business strategy over the longer term. Rewards strong financial performance over a sustained period.
Poundland Sharesave Plan (SAYE)	All employees including Executive Directors are encouraged to become shareholders through the operation of an all-employee share plan.
Share ownership guidelines	To increase alignment between executives and shareholders.

Notes

A description of how the Company intends to implement the policy set out in this table for 2014/15 is set out in the Annual Report on Remuneration.

Operation and performance conditions	Maximum
Salaries are normally reviewed annually with changes effective from 1st April taking into account: • Personal performance • Company performance • Individual's experience • Increases elsewhere in the Company Hence, whilst there are no performance conditions conditional on salaries being paid, personal and company performance is one factor considered by the Committee when determining annual increases. Salaries are set with reference to similar roles in FTSE 250 companies of a similar size and complexity. The Committee considers the impact of any salary increase on the total remuneration package.	There is no prescribed maximum annual increase. The Committee is guided by the average annual increase of the workforce. Higher increases may be awarded at the discretion of the Remuneration Committee, for example (but not limited to): in response to acute retention issues, following the appointment of a new executive to bring that executive's package in line with market over a number of years or in response to market factors.
The Company currently provides: • Car allowance • Family medical insurance • Life assurance • Dependent pension insurance • Income protection insurance • Medical health check • Other ancillary benefits, including relocation expenses (as required) Executive Directors are also entitled to 30 days' leave per annum, plus bank and public holidays.	Total cost of benefits capped at £25,000 for the Chief Executive and £17,500 for the other Executive Directors, which may be exceeded in exceptional circumstances if the cost of a particular benefit were to significantly increase. This cap excludes any relocation costs which may be required for a new hire.
Directors may participate in a defined contribution plan, or elect to receive cash in lieu of all or some of such benefit.	15% of salary
The annual bonus is based predominantly on stretching financial and operational objectives as set and assessed by the Committee on an annual basis. A bonus pool is to be determined by financial measures (e.g. profit after tax). This pool will then be divided among participants using a mix of financial measures and strategic/personal objectives. Financial measures will represent the majority of the bonus. Details of the performance targets set for the year under review and performance against them is provided in the Annual Remuneration Report. Any bonus paid up to 100% of salary is paid entirely in cash. Any bonus in excess of 100% of salary will be paid in shares and deferred for three years. Clawback/malus provisions apply in the event of material misstatement of results, an error in the calculation of bonus outcome or in instances of individual gross misconduct.	The maximum bonus opportunity will not exceed 150% of salary, although a lower maximum may be operated. At a threshold level of performance, no more than 20% of bonus will become payable, rising to 100% of bonus being payable for meeting all financial and strategic targets in full.
PSP awards may take the form of nil-cost options or conditional share awards. Awards normally vest after three years subject to performance and continued service. Awards vest based on three year performance against a range of challenging EPS targets set and assessed by the Committee. The targets for each award will be set out in the Annual Report on Remuneration. The awards can be reduced (via clawback and/or malus) at the discretion of the Committee within three years of vesting in the event of a misstatement of the results, an error in determining the extent to which performance targets were met or in instances of individual gross misconduct. A dividend equivalent provision allows the Committee to pay dividends on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends.	Plan Limits: 200% of salary (normal limit) 300% of salary (exceptional limit – e.g. recruitment or retention) 25% of the award vests for achieving threshold performance 100% of the award vests for achieving maximum performance
HMRC approved plan under which regular monthly savings are made over a 3 or 5 year period and can be used to fund the exercise of an option, where the exercise price is discounted by up to 20%. Provides tax advantages to UK employees, with Executive Directors eligible to participate on a similar basis to other employees. A similar plan is also available to Irish employees.	Maximum permitted savings based on HMRC limits from time to time.
Executive Directors are required to retain 50% of the net of tax vested PSP shares until the guideline level is met.	At least 150% of salary for the Chief Executive and at least 100% of salary for other Executive Directors, or such higher level as the Committee may determine from time to time.

How the Remuneration Committee operates the variable pay policy

The Committee operates the share plans in accordance with their respective rules, the Listing Rules and HMRC requirements where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans, including:

- Who participates in the plans;
- When to make awards and payments;
- How to determine the size of an award, a payment, or when and how much of an award should vest;
- The testing of a performance condition over a shortened performance period;
- How to deal with a change of control or restructuring of the Group;
- Whether a participant is a good/bad leaver for incentive plan purposes, what proportion of an award vests at the original vesting date or whether and what proportion of an award may vest at the time of leaving;
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends);
- Whether to enforce an additional 2 year holding period on PSP awards post vesting; and
- What the weighting measures and targets should be for the annual bonus plan and PSP from year to year.

The Committee also retains the discretion within the policy to adjust existing targets and/or set different measures for the annual bonus and for the PSP if events happen that cause it to determine that the targets are no longer appropriate and amendment is required so they can achieve their original intended purpose and provided the new targets are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Choice of performance measures for Executive Directors' awards

The choice of the performance conditions applicable to the annual bonus plan, being a primary financial performance target with additional strategic metrics specific to each Executive Director reflect the principle that the bonus plan should be self-funding, appropriately challenging and tied to both the delivery of profit growth and strategic/personal objectives.

EPS was selected by the Committee as the sole performance condition applicable to the PSP on the basis that it rewards the delivery of the Company's objective of delivering significant growth in profits. The Committee will review the performance scales applying to each award prior to each grant.

The Company's ethos of ensuring that costs are carefully controlled is reflected in both the annual bonus and PSP, which are designed to be self-funding.

In line with HMRC regulations for such schemes, the SAYE does not operate performance conditions.

Awards granted prior to the effective date

In approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with Directors. Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Remuneration policy for other employees

The policy described above applies specifically to the Company's Executive Directors and is designed with regard to the policy for employees across the Company as a whole. Overall there is more emphasis on variable pay for the Executive Directors; however the Company is committed to promoting widespread share ownership. On IPO it made a number of awards under the Poundland Company Share Option Plan (CSOP) and the Poundland Restricted Share Plan (RSP), to selected managers. Executive Directors are not eligible to participate in these plans.

The RSP provides for the grant of share awards which vest after three years subject only to continued employment. Under the CSOP, the Board may grant eligible employees share options at a price not less than the market value of a share on the date of grant. In the UK the first £30,000 of CSOP share options held at any time by an individual will be granted as an HMRC approved option. The share options normally vest after three years, subject to continued employment, but without further performance conditions.

More specifically, on IPO, awards were made to 55 senior managers under the RSP and around 550 management grade employees (including approximately 400 Store Managers) under the CSOP. Awards may be made in future at the Committee's discretion but there is no proposal for regular annual grants. In general, differences arise in quantum and structure of remuneration for various categories of employees in the Company from the development of remuneration arrangements that are market competitive. However, our underlying remuneration philosophy is consistent across the whole company.

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the Executive Directors' remuneration packages varies at different levels of performance under the 2014 policy, both as a percentage of total remuneration opportunity and as a total value:

Notes:

- Value of benefits assumed at the overall aggregate cap
- The on-target bonus is taken to be 40% of the current operating maximum bonus opportunity of 100% of salary
- The on-target level of vesting under the PSP is taken to be 50% of the face value of the award at grant
- The maximum value of the PSP is taken to be 100% of the face value of the award at grant using the current grant policy of 150% for Mr McCarthy and 125% for Messrs Hateley and Lancaster
- No share price appreciation has been assumed for the PSP award

Service contracts and payments for loss of office

The service contracts for the Executive Directors are terminable by either the Company or the Executive Director on twelve months' notice and make provision for early termination by way of payment of a cash sum. Payment in lieu of notice can be paid either as a lump sum or in equal monthly instalments over the notice period. The Company may also pay reasonable legal costs in respect of any compromise settlement.

There has been no payment for loss of office in the year ended 30 March 2014 (31 March 2013: nil)

Provision	Detailed terms
Notice period	12 months
Termination payments	118% of salary comprising: • 100% of salary • 15% in respect of pension contributions • 3% in respect of other benefits
Change of control	There are no enhanced provisions on a change of control.

Annual bonus on termination

There is no automatic or contractual right to bonus payment. At the discretion of the Committee, in certain circumstances a pro-rata bonus may become payable at the normal payment date for the period of employment and based on full year performance. Where the Committee decides to make a payment, the rationale will be fully disclosed in the Annual Report on Remuneration.

PSP on termination

Share-based awards are outside of service contracts. The default treatment is that any outstanding awards would lapse on termination. However, under the Rules of the PSP, in certain prescribed circumstances, such as death, disability, injury, redundancy or other circumstances at the discretion of the Committee, ‘good leaver’ status can be applied. In determining whether an Executive Director should be treated as a good leaver the Committee will take into account the performance of the individual and the reasons for their departure and in the event of this determination being made will set out its rationale in the following Annual Report on Remuneration.

In circumstances where an Executive Director is treated as a good leaver, awards will ordinarily vest on a time pro-rata basis subject to the satisfaction of the relevant performance criteria with the balance of the awards lapsing. The Committee retains discretion to decide not to pro-rate, to alter the basis of time pro-rating, and to alter the date on which performance is calculated, if it feels such decisions are appropriate in particular circumstances. However, if the time pro-rating is varied from the default position under the PSP Rules, an explanation will be set out in the following Annual Report on Remuneration. Performance conditions will always apply to awards for good leavers, although the Committee may determine that it is appropriate to assess performance over a different period than the default three year period.

Service contracts are available for inspection at the Company’s registered office.

Approach to recruitment and promotions

The recruitment package for a new Director would be set in accordance with the terms of the Company’s approved remuneration policy. Currently, this would facilitate an annual bonus payment of no more than 150% of salary and policy PSP award of up to 200% of salary (other than in exceptional circumstances where up to 300% of salary may be made).

On recruitment, salary policy may (but need not necessarily) be to set below the normal market rate, with phased increases as the executive gains experience. The rate of salary should be set so as to reflect the individual’s experience and skills.

In addition, on recruitment the company may compensate for amounts foregone from a previous employer (using Listing Rule 9.4.2) taking into account the quantum foregone, the extent to which performance conditions apply, the form of award and the time left to vesting.

For an internal appointment, any variable pay element awarded in respect of their prior role should be allowed to pay out broadly according to its terms. Any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For all appointments, the Committee may agree that the Company will meet certain appropriate relocation costs.

Policy on external appointments

Subject to Board approval, Executive Directors are permitted to take on non-executive positions with other companies and to retain their fees in respect of such positions. Details of outside Directorships held by the Executive Directors and any fees that they received are provided in the Annual Report on Remuneration.

The remuneration policy for the Chairman and Non-Executive Directors

The Company Chairman's fee is determined by the Committee (other than the Company Chairman himself).

The fees for the Non-Executive Directors are reviewed by the Board, excluding the Non-Executive Directors.

The table summarises the key aspects of the remuneration policy for the Chairman and Non-Executive Directors:

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	To attract and retain the high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level.	Fees are reviewed annually and approved by the Board upon a recommendation from the Chairman and Executive Directors (in the case of the Non-Executives) and from the Remuneration Committee in the case of the Chairman, with reference to market levels in comparably sized FTSE companies and reflect time commitments and responsibilities for each role. Fees are paid in cash and are not performance related. There are no benefits, other than a contribution of up to £15,000 to the Chairman for secretarial support, or incentive schemes in operation for the Non-Executives.	There is no prescribed maximum annual increase. The Committee is guided by the general increase in the Non-Executive market but on occasions may need to recognise, for example, change in responsibility and/or time commitments.

Letters of appointment

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination. The Chairman is entitled to a notice period of 3 months.

Letters of appointment are available for inspection at the Company's registered office.

Approach to recruitment

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Implementation of the remuneration policy for the year ending 29 March 2015

A summary of how the Directors' Remuneration Policy will be applied during the year ending 29 March 2015 is set out below:

Base salary

The Executive Directors' salaries were reviewed during early 2014 and set on IPO. Salaries will be reviewed again in early 2015 and any increases will take effect from 1 April 2015.

The current salaries are as follows:

Jim McCarthy	£440,000
Nick Hateley	£325,000
Richard Lancaster	£325,000

Pension and benefits

The Committee intends that the implementation of its policy in relation to pension and benefits will be in line with the disclosed policy on page 39 of this report. Jim McCarthy has elected to receive a 15% cash payment in lieu of pension contributions rather than a contribution into a pension plan.

Annual bonus

The maximum annual bonus for the year ending 29 March 2015 will be 100% of salary for all Executive Directors. Awards are determined based on a combination of both financial results, being underlying Company profit after tax (PAT), and strategic/personal performance.

A bonus pool is to be determined by reference to PAT achievement, with a sliding scale of performance to be set around budget as follows:

Underlying PAT performance	Provisional bonus pool as a % of Maximum entitlement (with straight line between)
Less than threshold	0%
Threshold	20%
Budget	40%
Stretch and above	100%

80% of the Pool will be distributed based on the PAT result. The remaining 20% available for the performance against strategic targets (so that, only for full achievement of the strategic objectives would the whole Pool pay out).

The Strategic bonus elements for the Executive directors are:

Underlying PAT performance	Jim McCarthy	Nick Hateley	Richard Lancaster
Successful delivery of the international trial in Spain	✓	✓	✓
Opening of the third distribution centre in Harlow	✓	×	×
Launch and trial of an e-commerce trading site	✓	✓	✓
Ensure that overall business costs are delivered in line with 2015 budget (% to sales basis)	×	✓	×
Delivery of budgeted company sales growth (UK + ROI) and gross margin	×	×	✓

Any bonus payment will be self-funding and clawback provisions apply.

The specific targets for the 2014/15 year are considered commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Directors' Remuneration Report to the extent that they do not remain commercially sensitive.

Performance share plan

PSP awards were made on Admission, and accordingly, other than for any new appointments or promotions, it is intended that no further awards will be made until the financial year ending 27 March 2016.

Fees for Chairman and Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees. A summary of current fees is shown below:

Chairman	£200,000
Non-Executive Director base fee	£45,000

Additional fees:

Senior Independent Director	£10,000
Audit Committee Chairman	£5,000
Remuneration Committee Chairman	£5,000
Governance & Nominations Committee Chairman	£5,000

Paul Best and Stephen Coates will not be entitled to an annual fee.

Remuneration received by Directors for the year ended 30 March 2014 - audited

Directors' remuneration for the year ended 30 March 2014 was as follows:

£000			Salary & Fees	Benefits (1)	Pension (2)	Annual Bonus	Long-Term Incentives	Total
Executive								
J McCarthy		2014	400	22	59	Nil	Nil	482
		2013	395	22	59	Nil	Nil	476
N Hateley		2014	233	16	36	Nil	Nil	284
		2013	225	16	34	Nil	Nil	275
R Lancaster	(3)	2014	320	17	48	Nil	Nil	386
		2013	236	10	35	Nil	Nil	282
Non-Executive								
A Higginson	(3)	2014	128			Nil	Nil	128
		2013	94			Nil	Nil	94
P Best		2014	Nil			Nil	Nil	Nil
		2013				Nil	Nil	Nil
S Coates		2014	Nil			Nil	Nil	Nil
		2013				Nil	Nil	Nil
D Shapland	(4)	2014	6			Nil	Nil	6
T Bond	(4)	2014	6			Nil	Nil	6
T Colaianni	(4)	2014	6			Nil	Nil	6
G Hearn	(4)	2014	6			Nil	Nil	6

Notes

1. Benefits include: Car allowance/car, medical insurance, fuel.
2. This comprises a 15% of salary contribution to the Company's Money Purchase Pension (cash equivalent for J McCarthy)
3. The Director was appointed in July 2012 and therefore the salary presented is for a 9 month period.
4. No comparision is presented as the Director was appointed in February 2014.

Annual bonus for the year ended 30 March 2014

Financial performance in 2013/14 was very strong, representing a record year in Poundland's profits. However, the Executive Directors together with the remainder of the Executive Team indicated that for this year they did not wish to be considered for a bonus, and agreed to spread the bonus pool more widely in celebration of the landmark IPO event.

Performance share awards made during the year – audited

On 17th March 2014, the first day of Admission to trading, the following awards were granted to Executive Directors

Executive	Type of award	Basis of award granted	Share price at date of grant (1)	Number of shares over which award was granted	Face value of award (£000)	% of face value that would vest at threshold performance	Vesting determined by performance over
J McCarthy	Nil cost option	150% of salary of £440,000, based on admission share price	£3.75	220,000	£825,000	25%	Three financial years to March 2017
N Hateley	Nil Cost Option	125% of salary of £325,000, based on admission price	£3.75	135,417	£507,813	25%	Three financial years to March 2017
R Lancaster	Nil Cost Option	125% of salary of £325,000, based on admission price	£3.75	135,417	£507,813	25%	Three financial years to March 2017

The number of shares comprising the IPO awards was determined based on the Admission share price of £3.00. On the first day of unconditional trading, the close price was £3.75 resulting in a higher face value. The performance condition for these awards is set out below:

Performance condition	% of award subject to condition	Compound annual growth in EPS	% of PSP award which will vest
Compound annual growth in underlying earnings per share (EPS)	100%	<19%	0%
		19%	25%
		26%	50%
		30% or above	100%
		Pro-rata vesting between the above points	

Directors' shareholding and share interests – audited

Share ownership plays a key role in the alignment of our executives with the interests of Shareholders. Our Executive Directors are expected to build up and maintain a 100% (150% for the CEO) of salary shareholding in Poundland. Where an Executive does not meet this guideline then they are required to retain at least 50% of the net of tax vested shares under the Company's share plans until the guideline is met. The current ownership of the Executive Directors significantly exceeds the requirement.

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 30 March 2014.

Director	Beneficially owned shares[1]	Number of awards held under the PSP conditional on performance	Target shareholding guideline (as a % of salary)	Percentage of salary held in shares as at 30 March 2014
J McCarthy	9,668,249	220,000	150%	8350%
N Hateley	4,207,378	135,417	100%	4919%
R Lancaster	1,111,413	135,417	100%	1675%
A Higginson	1,432,234	-	N/A	N/A
D Shapland	-	-	N/A	N/A
T Bond	-	-	N/A	N/A
T Colaianni	-	-	N/A	N/A
G Hearn	-	-	N/A	N/A
P Best	-	-	N/A	N/A
S Coates	-	-	N/A	N/A

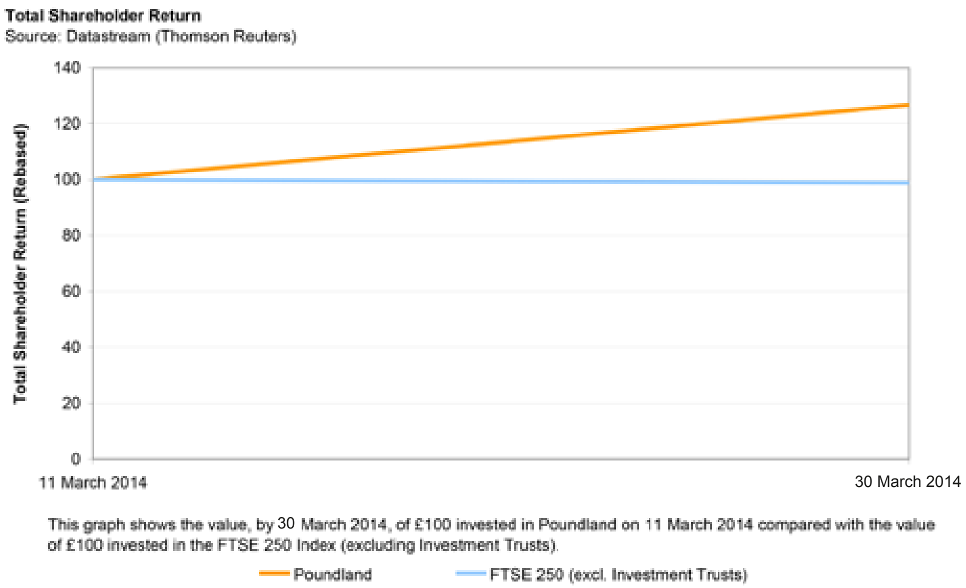
1. Includes shares owned by connected persons. Only beneficially owned shares count towards the shareholding guideline.

Total pension entitlements – audited

During the year under review the Executive Directors received pension contributions of 15% of salary into defined contribution arrangements (or cash equivalent). Details of the value of pension contributions received in the year under review are provided in the 'Pensions' column of the 'Remuneration received by Directors' table.

Performance graph

The graph below illustrates the Company's Total Shareholder Return (TSR) performance relative to the constituents of the FTSE 250 index excluding investment companies of which the Company is a constituent, from the start of conditional share dealing on 11 March 2014. The graph shows performance of a hypothetical £100 invested and its performance over that period.



Change in Chief Executive Officer's remuneration

The table below sets out total Chief Executive Officer remuneration for 2013/14, together with the percentage of maximum annual bonus awarded in that year. No share awards were held by the Chief Executive Officer prior to admission.

As the Company listed in 2014, the comparative for 2013 only is provided.

	2014	2013
CEO total remuneration	£481,655	£476,374
Annual bonus (% of maximum)	% Nil	% Nil
Share award (% of maximum)	N/A[2]	N/A

Notes

1. Please see note on 2014 bonus payment.
2. No long-term incentive plan in place.

Percentage increase in the remuneration of the Chief Executive Officer

The table below shows the percentage change in the Chief Executive Officer's salary, benefits and annual bonus between the financial year ended 31 March 2013 and 30 March 2014, compared to that of the total amounts for all Group employees of the Group for each of these elements of pay.

Element of remuneration		% change
Salary	Chief Executive Officer	1.3%
	Average per employee	2.14%
Benefits	Chief Executive Officer	1.1%
	Average per employee	3.85%
Annual bonus	Chief Executive Officer	0%
	Average per employee	121.6%

Relative importance of the spend on pay

The following table shows the Company's actual spend on pay for all employees compared to distributions to Shareholders and underlying profit after tax PAT performance, which is shown as it is considered to be the key indicator of the Company's growth, and is the primary metric used to measure performance under the bonus plan.

TOTAL SPEND ON PAY	2014	2013	% Change
Distributions to shareholders by way of dividend and share buyback	£20.0m	Zero	N/A
Revenue	£997.8m	£880.5m	13.3%
Underlying Profit after tax	£27.3m	£21.8m	25.1%

1. The above were calculated on a like for like employee basis, due to the number of temporary and part time colleagues employed by the Group, and excludes promotions.
2. The above change in CEO benefits (1.1%) is not visible in the remuneration table (page 50) due to rounding.

External directorships

Jim McCarthy is the non executive Chairman of Wynnstay Group PLC. He was paid fees of £33,000 in the year to 31 October 2013, and his total fee for the year to 31 October 2014 will be £49,000.

Membership of the Remuneration Committee

The Remuneration Committee comprises 4 independent Non-Executive Directors together with the Company Chairman.

The Committee was formally constituted on the date of Admission. However, in advance of Admission, two meetings were held with the members of the Committee present, in order to ensure that the Committee was able to fully debate the remuneration policy. Accordingly, the meeting attendance shown below is based on these meetings.

Name	Role	Number of meetings attended out of maximum number
Tea Colaianni	Committee Chair	2 out of 2
Andrew Higginson	Committee Member	2 out of 2
Trevor Bond	Committee Member	1 out of 2
Darren Shapland	Committee Member	2 out of 2
Grant Hearn	Committee Member	2 out of 2

In 2014 the meetings of the Committee covered the following key areas:

- Detailed remuneration considerations prior to IPO and adoption of the new remuneration policy;
- Consideration of structures and measures for 2014/15 annual bonus; and
- Consideration and adoption of 2014 PSP, RSP, CSOP and SAYE plans, and approval of grants on Admission under PSP, RSP and CSOP.

External advisors

The Remuneration Committee has access to independent advice where it considers it appropriate. The Committee seeks advice relating to executive remuneration from New Bridge Street (NBS), part of Aon plc. Neither NBS nor Aon provide any other services to the Company.

The Committee is satisfied that the advice received from NBS in relation to executive remuneration matters during the year was objective and independent. NBS is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to NBS for providing advice in relation to executive remuneration over the financial year under review was £163K. This advice primarily related to the development and roll-out of the post-Admission remuneration structures.

Statement of Shareholder voting

As mentioned previously, Poundland has not held an AGM since listing and therefore no voting outcomes are available. We will publish details of remuneration related voting outcomes in next year's Directors' Remuneration Report.

Approval

This Directors' Remuneration Report, including both the Policy and Annual Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Tea Colaianni
Chairman of the Remuneration Committee
2 July 2014

Poundland Group plc

Consolidated Financial Statements

Registered number 08861243

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Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company 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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

- the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and

- the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by order of the board

Andrew Higginson
Chairman
2 July 2014


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MILK

Independent auditor's report to the members of Poundland Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Poundland Group plc for the year ended 30 March 2014 set out on pages 58 to 100. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows.

Carrying value of inventory (£89.6 million)

Refer to page 36 (Audit and Risk Committee Report), page 66 (accounting policy), page 82 (financial disclosures) and page 95 (Accounting estimates and judgements).

- ***The risk*** – The Group holds a significant amount of inventory across a broad and diverse product range. Changes in consumer tastes and demands may mean that it cannot be sold or that sales prices are discounted to less than the current inventory carrying value. Estimating the future demand for, and hence the net realisable value of, these products is inherently subjective.
- ***Our response*** – Our audit procedures in this area included, among others, testing the design and effectiveness of the Group's controls over the identification of slow moving or obsolete products and obtaining an understanding of the Group's process for measuring the amount of provision required. We critically assessed the Group's provision for those identified slow moving and obsolete products by assessing: the ageing of inventory; product lines with a cost in excess of expected net selling price; the level of expected price discounting; the historical accuracy of sales plans and the level of discounting activity in previous years. Furthermore, we performed analysis over the stock provision held at the year end as a percentage of stock and compared this to our expectations based on our knowledge of the business.

  We also considered the adequacy of the Group's disclosures (see Note 29) about the degree of estimation involved in arriving at the provision.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £5 million. This has been determined with reference to a benchmark of Group Total Revenue (of which it represents 0.5%) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the Group.

We agreed with the Audit and Risk Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.25 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above at the Group's head office in Willenhall.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit and Risk Committee Report does not appropriately address matters communicated by us to the Audit and Risk Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 29, in relation to going concern; and
- the part of the Corporate Governance Statement on page 34 relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
2 July 2014

Consolidated Income Statement

for the period ended 30 March 2014

			52 weeks 2014			52 weeks 2013	
	Note	Underlying £'000	Non-Underlying (note 6) £'000	Total £'000	Underlying £'000	Non-Underlying (note 6) £'000	Total £'000
Revenue	5	**997,803**	**–**	**997,803**	880,491	–	880,491
Cost of sales		**(629,279)**	**–**	**(629,279)**	(556,980)	–	(556,980)
Gross profit		**368,524**	**–**	**368,524**	323,511	–	323,511
Distribution costs		**(296,979)**	**–**	**(296,979)**	(261,337)	(1,859)	(263,196)
Administrative expenses		**(31,500)**	**(12,343)**	**(43,843)**	(28,693)	(1,571)	(30,264)
Operating profit	7,8	**40,045**	**(12,343)**	**27,702**	33,481	(3,430)	30,051
Financial income	9	**252**	**–**	**252**	279	92	371
Financial expenses	9	**(3,488)**	**(2,982)**	**(6,470)**	(3,945)	–	(3,945)
Net financing expense		**(3,236)**	**(2,982)**	**(6,218)**	(3,666)	92	(3,574)
Profit before tax		**36,809**	**(15,325)**	**21,484**	29,815	(3,338)	26,477
Taxation	10	**(9,556)**	**1,932**	**(7,624)**	(8,034)	4,942	(3,092)
Profit for the period		**27,253**	**(13,393)**	**13,860**	21,781	1,604	23,385
Earnings per share - basic	3	**5.20p**		**(1.82p)**	2.33p		3.19p
- diluted	3	**5.20p**		**(1.82p)**	2.33p		3.19p
Adjusted earnings per share - basic	3	**10.90**		**5.54p**	8.71p		9.35p
- diluted	3	**10.90**		**5.54p**	8.71p		9.35p

All activities were continuing throughout the current and the preceding period.

Non-underlying items include brand amortisation and non-recurring exceptional costs and income (see note 6).

The notes on pages 63 to 95 form part of these financial statements.

Consolidated Statement of Other Comprehensive Income

for the period ended 30 March 2014

		52 weeks 2014			52 weeks 2013		
	Note	Underlying £'000	Non-Underlying £'000	Total £'000	Underlying £'000	Non-Underlying £'000	Total £'000
Profit for the period		**27,253**	**(13,393)**	**13,860**	21,781	1,604	23,385
Other comprehensive income							
Items that are or may be recycled subsequently to the income statement							
Foreign currency translation differences – foreign operations		**–**	**(47)**	**(47)**	–	26	26
Effective portion of changes in fair value of cash flow hedges		**–**	**(14,154)**	**(14,154)**	–	5,182	5,182
Net change in fair value of cash flow hedges recycled to the income statement		**–**	**3,791**	**3,791**	–	(421)	(421)
Income tax on items that are or may be recycled subsequently to the income statement	10	**–**	**2,203**	**2,203**	–	(1,100)	(1,100)
		–	**(8,207)**	**(8,207)**	–	3,687	3,687
Other comprehensive income for the period, net of income tax		**–**	**(8,207)**	**(8,207)**	–	3,687	3,687
Total comprehensive income attributable to equity holders of the parent		**27,253**	**(21,600)**	**5,653**	21,781	5,291	27,072

Consolidated Statement of Financial Position

at 30 March 2014

	Note	30 March 2014 £'000	31 March 2013 £'000
Non-current assets			
Property, plant and equipment	11	**41,607**	38,283
Intangible assets and goodwill	12	**183,711**	184,506
Trade and other receivables	17	**425**	792
Other financial assets	13	**–**	403
Deferred tax asset	15	**645**	–
Total non-current assets		**226,388**	223,984
Current assets			
Inventories	16	**89,561**	81,004
Other financial assets	13	**519**	4,212
Tax receivable		**365**	–
Trade and other receivables	17	**24,960**	20,734
Cash and cash equivalents		**25,268**	42,861
Total current assets		**140,673**	148,811
Total assets		**367,061**	372,795
Current liabilities			
Other interest-bearing loans and borrowings	18	**–**	(1,532)
Trade and other payables	19	**(120,571)**	(94,576)
Tax payable		**(3,807)**	(4,295)
Provisions	20	**(787)**	(366)
Other financial liabilities	14	**(5,110)**	(397)
Total current liabilities		**(130,275)**	(101,166)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	**(30,000)**	(50,486)
Other payables	19	**(18,617)**	(16,931)
Provisions	20	**(138)**	(138)
Other financial liabilities	14	**(1,556)**	–
Deferred tax liabilities	15	**–**	(3,491)
Total non-current liabilities		**(50,311)**	(71,046)
Total liabilities		**(180,586)**	(172,212)
Net assets		**186,475**	200,583
Equity attributable to equity holders of the parent			
Share capital	21	**425,050**	152,474
Merger reserve		**(259,642)**	–
Reserves		**(4,849)**	16,097
Retained earnings		**25,916**	32,012
Total equity		**186,475**	200,583

The notes on pages 63 to 95 form part of these financial statements.

These financial statements were approved by the Board of Directors on 2 July 2014 and were signed on its behalf by:

NR Hateley

Director

Registered number: 08861243

Consolidated Statement of Changes in Equity

for the period ended 31 March 2013

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 2 April 2012	152,341	–	–	12,739	(17)	(312)	8,627	173,378
Total comprehensive income for the period								
Profit for the period	–	–	–	–	–	–	23,385	23,385
Other comprehensive income	–	–	–	–	26	3,661	–	3,687
Total comprehensive income for the period	–	–	–	–	26	3,661	23,385	27,072
Transactions with owners recorded directly in equity								
Issue of shares	133	–	–	–	–	–	–	133
Total transactions with owners	133	–	–	–	–	–	–	133
Balance at 31 March 2013	152,474	–	–	12,739	9	3,349	32,012	200,583

Consolidated Statement of Changes in Equity

for the period ended 30 March 2014

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2013	152,474	–	–	12,739	9	3,349	32,012	200,583
Total comprehensive income for the period								
Profit for the period	–	–	–	–	–	–	13,860	13,860
Other comprehensive income	–	–	–	–	(47)	(8,160)	–	(8,207)
Total comprehensive income for the period	–	–	–	–	(47)	(8,160)	13,860	5,653
Transactions with owners recorded directly in equity								
Redemption of preference share capital – (subsidiary)	(14,564)	–	–	14,564	–	–	(20,000)	(20,000)
Issue of shares – (subsidiary)	97	48	–	–	–	–	–	145
Capital transaction – subsidiary share capital restructure and share for share exchange	286,993	(48)	(259,642)	(27,303)	–	–	–	–
Issue of shares – Poundland Group plc	50	–	–	–	–	–	–	50
Share based payment transactions	–	–	–	–	–	–	44	44
Total transactions with owners	272,576	–	(259,642)	(12,739)	–	–	(19,956)	(19,761)
Balance at 30 March 2014	425,050	–	(259,642)	–	(38)	(4,811)	25,916	186,475

Consolidated Cash Flow Statement

for the period ended 30 March 2014

	Note	52 weeks 2014 £'000	52 weeks 2013 £'000
Cash flows from operating activities			
Profit for the year, before non-underlying items		**27,253**	21,781
Costs in respect of IPO	6	**(9,954)**	–
Other non-underlying items	6	**(3,439)**	1,604
Profit for the year		**13,860**	23,385
Adjustments for:			
Depreciation and amortisation	11,12	**15,096**	13,080
Financial income	9	**(252)**	(371)
Financial expense	9	**6,470**	3,945
Equity settled share based payment transactions	22	**44**	–
Taxation	10	**7,624**	3,092
		42,842	43,131
Increase in trade and other receivables		**(3,645)**	(627)
Increase in inventories		**(8,557)**	(11,450)
Increase in trade and other payables excluding IPO costs		**22,537**	7,168
Increase/(decrease) in provisions		**422**	(953)
Increase in payable in respect of IPO costs		**5,012**	–
		58,611	37,269
Tax paid		**(10,409)**	(3,852)
Net cash from operating activities		**48,202**	33,417
Costs in respect of IPO		**4,942**	–
Net cash from operating activities before IPO costs		**53,144**	33,417
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	**(16,563)**	(15,181)
Acquisition of other intangible assets	12	**(1,062)**	(1,257)
Net cash from investing activities		**(17,625)**	(16,438)
Cash flows from financing activities			
Proceeds from new loan		**29,268**	–
Repayment of borrowings	18	**(54,914)**	(7,200)
Redemption of preference shares – subsidiary		**(20,000)**	–
Net financial expense paid		**(2,524)**	(2,834)
Net cash from financing activities		**(48,170)**	(10,034)
Net (decrease)/increase in cash and cash equivalents		**(17,593)**	6,945
Cash and cash equivalents at start of period		**42,861**	35,916
Effects of exchange rate changes on cash held		–	–
Cash and cash equivalents at end of period		**25,268**	42,861
Net debt		**4,732**	9,157

Notes to the consolidated financial statements

1 Basis of preparation and significant accounting policies

Poundland Group plc (the "Company") is a company incorporated and domiciled in the United Kingdom. The Company was incorporated on 24 January 2014.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Directors in the application of these accounting policies, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note 29.

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 financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has considerable financial resources, together with a strong ongoing trading performance. On 17 March 2014, the Group entered into a new revolving credit and working capital facility of £55 million with a syndicate of banks. The former and new borrowing facilities contain financial covenants which have been met throughout both periods. The Group's forecasts and projections show that the new facility provides adequate headroom for its current and future anticipated cash requirements.

1.3 Basis of consolidation

On 17 March 2014, the Company obtained control of the entire share capital of Poundland Group Holdings Limited via a share for share exchange. There were no changes in rights or proportion of control exercised as a result of this transaction.

Although the share for share exchange resulted in a change of legal ownership, in substance these financial statements reflect the continuation of the pre-existing group, headed by Poundland Group Holdings Limited.

As a result, the comparatives presented in these financial statements are the consolidated results of Poundland Group Holdings Limited. For details of the impact on the earnings per share calculation see 1.19.

The prior period statement of financial position reflects the share capital structure of Poundland Group Holdings Limited. The current period statement of financial position presents the legal change in ownership of the Group, including the share capital of Poundland Group plc and the merger reserve arising as a result of the share for share exchange transaction. The consolidated statement of changes in equity on page 61 explains the impact of the share for share exchange in more detail.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1 Basis of preparation and significant accounting policies (continued)

1.4 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Group 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. Foreign exchange differences arising on translation are recognised in the consolidated income statement with the exception of differences on transactions that are subject to effective cashflow hedges, which are recognised in other comprehensive income. 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, except for differences arising on qualifying cash flow hedges which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rate ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

1.5 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group 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 Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

1.6 Financial Instruments

Financial Assets

The Group's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument.

i) Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the income statement in administrative expenses.

ii) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. For the purpose of the consolidated cash flow statement, cash and cash equivalents includes bank overdrafts in addition to the definition above.

1 Basis of preparation and significant accounting policies (continued)

1.6 Financial Instruments (continued)

Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities comprise trade and other payables and borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

i) Bank borrowings

Term loans are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Financial expenses comprise interest expense on borrowings and the ineffective portion of the changes in the fair value of cashflow hedges.

ii) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

iii) Derivative financial instruments and hedge accounting

Derivative financial instruments (comprising foreign currency forward contracts, interest rate swaps and caps and commodity hedges) are used to manage risks arising from changes in foreign currency exchange rates (relating to the purchase of overseas sourced products), interest rates and fuel price fluctuations. The Group does not hold or issue derivative financial instruments for speculative trading purposes. The Group 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 that 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 that 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 Basis of preparation and significant accounting policies (continued)

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the consolidated 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	over the term of the lease
Property improvements	6 - 7 years
Plant and equipment	6 - 7 years
Fixtures and fittings	6 - 7 years

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

1.8 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as: the fair value of the consideration transferred; plus the fair value of the existing equity interest in the acquiree: less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs relating to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

1.9 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.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

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

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:

Brand	20 years
Trademarks	5 years
Software	3 years

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

1 Basis of preparation and significant accounting policies (continued)

1.11 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group 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.

Notes to the consolidated financial statements continued

1 Basis of preparation and significant accounting policies (continued)

1.12 Employee benefits (continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Group operates a number of equity settled share based compensation plans.

The grant date fair value of share-based payment awards made to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options 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 meet the related service and non market performance conditions at the vesting date, measured at the grant date fair value of the award.

At each reporting date, the group revises its estimates of the number of share incentives which are expected to vest. The impact of the revision of original estimates is recognised in the income statement with a corresponding adjustment to equity.

1.13 Provisions

A provision is recognised when the Group 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.

1.14 Revenue recognition

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.

1.15 Operating lease payments

Payments 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.

1.16 Financial income and expenses

Financial expenses comprise interest payable and the ineffective portion of changes in the fair value of cash flow hedges that are recognised in the income statement. Financial income comprises interest receivable on funds invested and the ineffective portion of changes in the fair value of cash flow hedges.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

1.17 Taxation

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

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.

1 Basis of preparation and significant accounting policies (continued)

1.17 Taxation (continued)

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 profits will be available against which the temporary difference can be utilised.

1.18 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.

1.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

As explained in the basis of consolidation accounting policy, the Group's financial statements reflect the continuation of the pre-existing group headed by Poundland Group Holdings Limited. That company had preference shares, the holders of which were entitled to a cumulative dividend at the discretion of the Directors. In accordance with IAS 33, for the comparative period, and for the current period to the date of the share restructure, the accrued preference share dividend has been deducted from profit for the period to compute the earnings attributable to ordinary shareholders. The conversion factor applied in the share reorganisation has been applied to calculate the number of ordinary shares of Poundland Group Holdings Limited used to compute the weighted average number of ordinary shares for the comparative period and for the current period to the date of the share restructure. In this way the impact of the preference shares has been excluded from both earnings and the weighted average number of shares.

As a precursor to the share for share exchange, the preference shares in Poundland Group Holdings Limited were converted to ordinary shares and any entitlement to a dividend on these shares was forfeited. For the periods reported, the Group has chosen to present an adjusted EPS calculation to aid comparability and to provide a consistent measure of performance, by excluding the impact of the preference shares from both earnings and the weighted average number of shares. For this adjusted measure, in both reported periods, the weighted average number of shares is based on the share capital structure of Poundland Group plc and assumes that this structure was in place from 2 April 2012 (i.e. the beginning of the prior period).

For both EPS measures (statutory and adjusted), the Group has also presented an alternative version with profit adjusted for non underlying items.

A reconciliation of the adjusted and alternative measure to the statutory measure required by IFRS is given in note 3.

1.20 Adopted IFRS not yet applied

The following standards and interpretations have been published, endorsed by the EU, and are available for early adoption, but have not yet been applied by the Group in these financial statements. The Group does not believe the adoption of these standards or interpretations would have a material impact on the consolidated results or financial position of the Group

- IFRS10 'Consolidated financial statements' replaces the guidance of control and consolidation in IAS 27 and SIC 32: Consolidation – special purpose entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of the consolidation.

- IFRS11 'Joint arrangements' requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligation of each party to the arrangement. Proportionate consolidation for joint ventures will be eliminated and equity accounting will be mandatory.

- IFRS12 'Disclosure of interests in other entities' requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structures entities.

- IAS32 'Financial instruments – presentation' (Amendment) – the amendment clarifies the offsetting criteria, specifically: when an entity currently has a legal right of set-off; and when gross settlement is equivalent to net settlement.

1.20 Adopted IFRS not yet applied (continued)

- IAS34 'Interim Financial Reporting' (Amendment) – the amendment clarifies the requirements of IAS34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS8 'Operating Segments'.

- IAS36 'Impairment of assets' (Amendment) – the amendments reverse the unintended requirement in IFRS13 to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lifed intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

In addition to the above, amendments to a number of standards under the annual improvements project to IFRS have been endorsed by the EU but not yet adopted. None of these amendments are expected to have a material impact on the Group's financial statements

1.21 Reserves

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.

Translation reserve

The translation reserve represents the cumulative translation differences for foreign operations, namely Poundland Far East Limited.

Merger reserve

The merger reserve arises on consolidation as a result of the share for share exchange on 17 March 2014. It represents the difference between the nominal value of shares issued by Poundland Group plc in this transaction and the share capital and reserves of Poundland Group Holdings Limited.

2 Operating segment

The Group has one reportable segment, discount retailing of a variety of products.

The Chief Operating Decision Maker ("CODM") is the Board of Directors. Internal management reports are reviewed by the CODM on a monthly basis. Key measures used to evaluate performance are Revenue and EBITDA. Management believes that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

All material operations of the reportable segment are carried out in the United Kingdom and the Republic of Ireland and all material non-current assets are located in the United Kingdom and the Republic of Ireland. The Group's revenue is driven by the consolidation of individually small value transactions and, as a result, Group revenue is not reliant on a major customer or group of customers. All revenue is generated from external customers.

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3 Earnings per share

Statutory earnings per share

	52 weeks 2014 No of shares	52 weeks 2013 No of shares
Weighted average number of ordinary shares in issue, being weighted average number of shares for calculating basic earnings per share	**190,792,314**	188,599,437
Effect of share options on issue	**917**	–
Weighted average number of ordinary shares for calculating diluted earnings per share	**190,793,231**	188,599,437

	52 weeks 2014 £'000	52 weeks 2013 £'000
Profit for the period	**13,860**	23,385
Non-accrued preference share dividends	**(11,891)**	(17,377)
Premium paid on preference share capital redeemed	**(5,436)**	–
Basic earnings attributable to ordinary equity shareholders	**(3,467)**	6,008
Non-underlying items (see note 6)		
Operating expenses and finance costs	**15,325**	3,338
Tax on non-underlying items	**(1,932)**	(4,942)
Underlying earnings before non-underlying items	**9,926**	4,404

Earnings per share is calculated as follows:

	52 weeks 2014 p	52 weeks 2013 p
Basic earnings per ordinary share	**(1.82)**	3.19
Diluted earnings per ordinary share	**(1.82)**	3.19
Basic earnings per ordinary share before non-underlying items	**5.20**	2.33
Diluted earnings per ordinary share before non-underlying items	**5.20**	2.33

3 Earnings per share (continued)

Adjusted earnings per share

	52 weeks 2014 No of shares	52 weeks 2013 No of shares
Weighted average number of ordinary shares in issue, being weighted average number of shares for calculating basic earnings per share	**250,000,000**	250,000,000
Effect of share options on issue	**917**	–
Weighted average number of ordinary shares for calculating diluted earnings per share	**250,000,917**	250,000,000

	52 weeks 2014 £'000	52 weeks 2013 £'000
Profit for the period, being basic earnings attributable to ordinary equity Shareholders	**13,860**	23,385
Non-underlying items (see note 6)		
Operating expenses and finance costs	**15,325**	3,338
Tax on non-underlying items	**(1,932)**	(4,942)
Underlying earnings before non-underlying items	**27,253**	21,781

Earnings per share is calculated as follows:

	52 weeks 2014 p	52 weeks 2013 p
Basic earnings per ordinary share	**5.54**	9.35
Diluted earnings per ordinary share	**5.54**	9.35
Basic earnings per ordinary share before non-underlying items	**10.90**	8.71
Diluted earnings per ordinary share before non-underlying items	**10.90**	8.71

4 Reconciliation of adjusted profit measure (EBITDA)

The Directors consider EBITDA to be a more consistent measure of operating performance. Operating profit is adjusted to exclude the impact of finance costs, taxation, amortisation and depreciation.

Underlying EBITDA excludes the impact of those distribution costs and administrative expenses which do not contribute to current trading activities. The Directors consider that this measure more fairly reflects actual operating performance.

	52 weeks 2014 £'000	52 weeks 2013 £'000
Operating profit	**27,702**	30,051
Exclude:		
Amortisation	**1,857**	1,839
Depreciation	**13,239**	11,241
EBITDA	**42,798**	43,131
Exclude:		
Non-underlying items excluding brand amortisation, financial expenses and taxation	**11,231**	2,319
Underlying EBITDA	**54,029**	45,450

5 Revenue

	52 weeks 2014 £'000	52 weeks 2013 £'000
Sale of goods	**997,803**	880,491
Total revenues	**997,803**	880,491

6 Non-underlying items

In the period ended 30 March 2014, the Group incurred fees relating to its listing of £9,954,000. It has also incurred £2,981,000 relating to the renegotiation of its debt facility, which includes the write off of unamortised fees associated with the debt facility agreed in August 2010.

The Group incurred £1,277,000 of expenditure related to strategic initiatives (e-commerce and international expansion) *(2013: £459,000)*.

In the period ended 31 March 2013, the Group incurred £1,424,000 of one-off costs relating to the opening of a new distribution facility in the South East of England and a further £435,000 relating to a new store format trial.

On the acquisition of Poundland Holdings Limited in June 2010, the Group recognised an intangible asset relating to the Poundland brand. This is being amortised over 20 years and the amortisation expense is presented as a non-underlying item *(2014: £1,112,000, 2013: £1,112,000)*.

The ineffective portion of foreign exchange hedging contracts is recognised as a financial expense and disclosed as a non-underlying item *(2014: £1,000 expense, 2013: £92,000 income)*.

The associated tax implications of the above items are presented as a non-underlying item and are summarised below.

6 Non-underlying items (continued)

Additionally, in the prior period, the Group received a one-off corporation tax refund of £3,950,000 in respect of prior years, which has been presented as a non-underlying item.

	52 weeks 2014 £'000	52 weeks 2013 £'000
Administrative expenses		
Costs in respect of IPO	**(9,954)**	–
Amortisation expense (brand)	**(1,112)**	(1,112)
Other administrative expenses	**(1,277)**	(459)
Distribution expenses	**–**	(1,859)
	(12,343)	(3,430)
Financial income and expenses		
Bank fees – refinancing	**(2,981)**	–
Financial instruments	**(1)**	92
	(2,982)	92
Taxation		
Non-underlying items tax impact	**1,390**	800
Intangible assets – change in tax rate	**542**	192
Prior period adjustment	**–**	3,950
Total non-underlying items	**(13,393)**	**1,604**

7 Auditor's remuneration

	52 weeks 2014 £'000	52 weeks 2013 £'000
Fees payable for the audit of the Company's financial statements	**26**	26
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**97**	52
Audit related assurance services	**198**	–
Taxation compliance services	**78**	42
Taxation advisory services	**188**	116
Other non-audit services	**1,006**	15

Included within other non-audit services for the period ended 30 March 2014 are corporate finance transaction services fees incurred as part of the IPO process and included within audit related assurance services are fees in relation to the nine month period audit undertaken as part of the IPO process. These are disclosed within non-underlying items (see note 6).

8 Staff numbers and costs

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

	Number of employees	
	52 weeks 2014	52 weeks 2013
Administration	**378**	335
Selling and distribution	**12,451**	11,422
	12,829	11,757

The aggregate payroll costs of these persons were as follows:

	52 weeks 2014 £'000	52 weeks 2013 £'000
Wages and salaries	**136,110**	120,099
Social security costs	**7,128**	6,296
Equity settled share based payment transactions	**44**	–
Contributions to defined contribution plans	**1,266**	735
	144,548	127,130

Full details of Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 38 to 51.

Notes to the consolidated financial statements continued

9 Financial income and expense

	52 weeks 2014 £'000	52 weeks 2013 £'000
Financial income		
Interest income on unimpaired financial assets	**252**	279
Ineffective portion of changes in fair value of cash flow hedges	**–**	92
Total financial income	**252**	371
Financial expense		
Total interest expense on financial liabilities measured at amortised cost	**3,432**	3,865
Non-underlying fees associated with refinancing (note 6)	**2,981**	–
Net change in fair value of interest rate swap cash flow hedges recycled from equity	**56**	80
Ineffective portion of changes in fair value of cash flow hedges	**1**	–
Total financial expense	**6,470**	3,945

10 Taxation

Recognised in the income statement

	52 weeks 2014 £'000	52 weeks 2013 £'000
Current taxation		
Corporation tax charge for the period	**9,371**	8,642
Adjustments for prior periods	**186**	(3,843)
	9,557	4,799
Deferred tax income		
Origination and reversal of temporary differences	**(1,766)**	(1,566)
Reduction in tax rate	**(107)**	(141)
Adjustment for prior periods	**(60)**	–
Deferred tax income	**(1,933)**	(1,707)
Total tax charge for the period	**7,624**	3,092

10 Taxation (continued)

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

	52 weeks 2014 £'000	52 weeks 2013 £'000
Profit before tax	**21,484**	26,477
UK corporation tax at standard rate of 23% *(52 weeks 2013: 24%)*	**4,941**	6,354
Factors affecting the charge for the period:		
Depreciation on expenditure not eligible for tax relief	**316**	295
Disallowable expenses	**2,608**	434
Adjustments in respect of prior periods	**126**	(3,843)
Impact of overseas tax rates	**(260)**	(7)
Impact of reduction in tax rate on deferred tax balance	**(107)**	(141)
Total tax charge for the period	**7,624**	3,092

Recognised in other comprehensive income

	52 weeks 2014 £'000	52 weeks 2013 £'000
Effective portion of changes in fair value of cash flow hedges	**3,071**	(1,201)
Net change in fair value of cash flow hedges recycled to profit or loss	**(868)**	101
	2,203	(1,100)

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 Group's future current tax charge accordingly. The deferred tax asset at 30 March 2014 has been calculated based on the rate of 20% (31 March 2013 liability calculated at 21%) substantively enacted at the reporting date.

Notes to the consolidated financial statements continued

11 Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 2 April 2012	6,365	23,380	20,129	49,874
Additions	1,966	6,512	6,703	15,181
Disposals	(191)	(164)	(139)	(494)
Balance at 31 March 2013	8,140	29,728	26,693	64,561
Balance at 1 April 2013	8,140	29,728	26,693	64,561
Additions	825	8,781	6,957	16,563
Disposals	129	(312)	(279)	(462)
Balance at 30 March 2014	9,094	38,197	33,371	80,662
Depreciation and impairment				
Balance at 2 April 2012	4,788	5,744	4,999	15,531
Depreciation charge for the period	2,422	4,684	4,135	11,241
Disposals	(191)	(164)	(139)	(494)
Balance at 31 March 2013	7,019	10,264	8,995	26,278
Balance at 1 April 2013	7,019	10,264	8,995	26,278
Depreciation charge for the period	2,591	5,750	4,898	13,239
Disposals	129	(312)	(279)	(462)
Balance at 30 March 2014	9,739	15,702	13,614	39,055
Net book value				
At 2 April 2012	1,577	17,636	15,130	34,343
At 31 March 2013	1,121	19,464	17,698	38,283
At 30 March 2014	**(645)**	**22,495**	**19,757**	**41,607**

12 Intangible assets

	Goodwill £'000	Trademarks £'000	Software £'000	Brand £'000	Total £'000
Cost					
Balance at 2 April 2012	163,856	–	1,806	22,300	187,962
Additions – externally purchased	–	56	1,201	–	1,257
Disposals	–	–	(1)	–	(1)
Balance at 31 March 2013	163,856	56	3,006	22,300	189,218
Balance at 1 April 2013	163,856	56	3,006	22,300	189,218
Additions – externally purchased	–	31	1,031	–	1,062
Balance at 30 March 2014	163,856	87	4,037	22,300	190,280
Amortisation					
Balance at 2 April 2012	–	–	873	2,001	2,874
Amortisation for the period	–	7	720	1,112	1,839
Disposals	–	–	(1)	–	(1)
Balance at 31 March 2013	–	7	1,592	3,113	4,712
Balance at 1 April 2013	–	7	1,592	3,113	4,712
Amortisation for the period	–	15	730	1,112	1,857
Balance at 30 March 2014	–	22	2,322	4,225	6,569
Net book value					
At 2 April 2012	163,856	–	933	20,299	185,088
At 31 March 2013	163,856	49	1,414	19,187	184,506
At 30 March 2014	**163,856**	**65**	**1,715**	**18,075**	**183,711**

Amortisation

Amortisation is recognised in distribution and administrative expenses in the income statement as follows:

	52 weeks 2014 £'000	52 weeks 2013 £'000
Distribution costs	**296**	362
Administrative expenses	**1,561**	1,477
	1,857	1,839

12 Intangible assets (continued)

Impairment testing

Goodwill of £163.9 million arising on the acquisition of Poundland Holdings Limited in June 2010 is allocated to the Group's one operating segment. For impairment testing purposes, goodwill has been allocated to a group of cash generating units (CGUs) comprising the Group's one operating segment. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Goodwill is not amortised, but tested annually for impairment on the basis of value in use calculations using discounted cash flows. As the value in use exceeded the carrying value for the cash generating units, no impairment loss was recognised in the period.

In assessing the value in use, the four year business plan was used to provide cash flow projections to the period ended March 2018. The cash flow projections are subject to key assumptions in respect of discount rates, expected new store openings, 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 Group.

In assessing the Group's value in use a pre-tax discount rate of 13.7% (*2013: 15.1%*) has been applied to the group of CGUs.

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 Other financial assets

	30 March 2014 £'000	31 March 2013 £'000
Non-current		
Derivative financial assets held for trading	**–**	403
Current		
Derivative financial assets held for trading	**519**	4,212

14 Other financial liabilities

	30 March 2014 £'000	31 March 2013 £'000
Non-current		
Derivative financial liabilities held for trading	**1,556**	–
Current		
Derivative financial liabilities held for trading	**5,110**	397

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Assets

	30 March 2014 £'000	31 March 2013 £'000
Deferred tax (assets)/liabilities	**(4,364)**	(1,982)
Net of deferred tax liabilities/(assets)	**3,719**	1,982
Net deferred tax assets	**(645)**	–

Liabilities

	30 March 2014 £'000	31 March 2013 £'000
Deferred tax (assets)/liabilities	**3,719**	5,473
Net of deferred tax liabilities/(assets)	**(3,719)**	(1,982)
Net deferred tax liabilities	–	3,491

	2 April 2012 £'000	Recognised in the income statement (credit)/charge £'000	Recognised in other comprehensive income (credit)/charge £'000	31 March 2013 £'000
Property, plant and equipment	870	(1,075)	–	(205)
Intangible assets	4,871	(459)	–	4,412
Inventories	(130)	–	–	(130)
Other financial assets	5	15	1,041	1,061
Trade and other payables	(1,348)	(179)	–	(1,527)
Tax value of losses carried forward	(12)	(17)	–	(29)
Other financial liabilities	(158)	8	59	(91)
	4,098	(1,707)	1,100	3,491

15 Deferred tax assets and liabilities (continued)

	1 April 2013 £'000	Recognised in the income statement (credit)/charge £'000	Recognised in other comprehensive income (credit)/charge £'000	30 March 2014 £'000
Property, plant and equipment	(205)	(1,132)	–	(1,337)
Intangible assets	4,412	(797)	–	3,615
Inventories	(130)	30	–	(100)
Other financial assets	1,061	(20)	(937)	104
Trade and other payables	(1,527)	(52)	–	(1,579)
Tax value of losses carried forward	(29)	14	–	(15)
Other financial liabilities	(91)	24	(1,266)	(1,333)
	3,491	(1,933)	(2,203)	(645)

No deferred tax liability has been recognised in respect of £156,000 *(2013: £113,000)* of undistributed earnings of overseas subsidiaries since such distributions would not be taxable.

16 Inventories

	30 March 2014 £'000	31 March 2013 £'000
Finished goods	**82,779**	72,157
Goods in transit	**6,782**	8,847
	89,561	81,004

All inventories are expected to be sold within 12 months of the reporting date.

During the period £0.3 million *(2013: £0.4 million)* was recognised as an expense in cost of sales in respect of the write down of inventory to net realisable value.

No unutilised provisions were reversed in the period. Inventory purchased in the period recognised as an expense was £646.7 million *(2013: £577.7 million)*.

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17 Trade and other receivables

	30 March 2014 £'000	31 March 2013 £'000
Other receivables due from related parties	**50**	145
Trade receivables	**2,872**	1,699
Other taxation and social security	**291**	-
Prepayments and accrued income	**22,172**	19,412
Called up share capital not paid	**-**	270
	25,385	21,526
Non-current	**425**	792
Current	**24,960**	20,734

18 Other interest-bearing loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost are described below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

The Group's previous debt facility came into effect in August 2010. It consisted of two term loans and a six year working capital and revolving credit facility of £25 million, held by one of the Company's subsidiary undertakings, Poundland Holdings Limited.

Term loan A (£30 million) was repayable in semi-annual instalments over a period of six years from inception. During the period, the Group repaid £3.7 million *(2013: £6.1 million)* and repaid the outstanding balance of £17.3 million on 17 March 2014.

Term loan B (£35 million) was repayable in one instalment on 10 August 2017. During the period, the Group repaid £0.9 million *(2013: £1.0 million)* and repaid the outstanding balance of £33.1 million on 17 March 2014.

The facility carried an interest rate at LIBOR plus an agreed margin. The facility was denominated in sterling.

On 17 March 2014, the Group entered into a new banking facility consisting of a revolving credit and working capital facility of £55.0 million. This is held by Poundland Holdings Limited. The Group utilised £30 million of the revolving credit facility, together with cash generated from operating activities, to repay the term debt in full.

		30 March 2014		31 March 2013	
	Year of maturity	Face value £'000	Carrying amount £'000	Face value £'000	Carrying amount £'000
Term loan A	2016	**–**	**–**	20,922	19,229
Term loan B	2017	**–**	**–**	33,992	32,789
Revolver	2019	**30,000**	**30,000**	–	–
Total		**30,000**	**30,000**	54,914	52,018

18 Other interest bearing loans and borrowings (continued)

The Group had the following undrawn committed borrowing facilities available at the reporting date in respect of which all conditions precedent have been met:

	30 March 2014 £'000	31 March 2013 £'000
Expiring between two and five years	**23,500**	23,500

The facility relates to the Group's revolving credit and working capital facility, which incurs commitment fees at market rates.

19 Trade and other payables

	30 March 2014 £'000	31 March 2013 £'000
Current		
Trade payables	**62,482**	48,796
Other taxation and social security payable	**12,498**	10,052
Other payables	**4,794**	1,682
Accruals and deferred income	**40,797**	34,046
	120,571	94,576
Non-current		
Accruals and deferred income	**18,617**	16,931
	139,188	111,507

20 Provisions

	Property related	
	30 March 2014 £'000	31 March 2013 £'000
At beginning of period	**504**	1,457
Provisions made during the period	**809**	169
Provisions utilised during the period	**(62)**	(600)
Provisions reversed during the period	**(326)**	(522)
At end of period	**925**	504
Non-current	**138**	138
Current	**787**	366
	925	504

Property related provisions consist of costs associated with vacant properties and outstanding rent reviews.

20 Provisions (continued)

A provision for vacant properties is recognised when the Group's unavoidable costs of meeting its contractual obligations are higher than the expected benefits to be derived from it. The effect of discounting is not considered material.

A rent review provision is recognised when there are additional obligations expected as a result of a rent review. The provision is based on the Directors' best estimate of the amount at which the review will be settled.

21 Share Capital

	30 March 2014 £'000	31 March 2013 £'000
Allotted and called up		
250,000,000 ordinary shares of £1.70 each	**425,000**	–
49,999 Preference shares of £1 each	**50**	–
7,695,903 Ordinary £1 A shares of £1 each	**–**	7,696
474,202 Ordinary £1 B shares of £1 each	**–**	474
2,042,746 Ordinary £1 C shares of £1 each	**–**	2,043
142,261,140 10% £1 Preference shares of £1 each	**–**	142,261
	425,050	152,474

The comparative share capital represents that of Poundland Group Holdings Limited.

The table below sumarises the movements in share capital during the period ended 30 March 2014.

	£'000
Balance at 1 April 2013	152,474
Redemption of preference share capital – Poundland Group Holdings Limited	(14,564)
Issue of shares – Poundland Group Holdings Limited	97
Issue of shares – Poundland Group plc	50
Balance prior to capital transaction	138,057
Capital transaction – subsidiary share capital restructure and share for share exchange	286,993
Balance at 30 March 2014	425,050

Poundland Group plc was incorporated on 24 January 2014 and issued one ordinary share of £1 at par and 49,999 preference shares of £1 each at par.

On 11 March 2014, the £1 ordinary share was sub-divided into 100 1p ordinary shares. The company then issued 70 1p ordinary shares. The 170 1p shares were converted to one ordinary share with a nominal value of £1.70.

On 17 March 2014, the company issued 249,999,000 ordinary shares of £1.70 in exchange for all classes of shares of Poundland Group Holdings Limited.

21 Share Capital (continued)

Rights attached to shares

Ordinary shares

The rights attaching to the Ordinary Shares are uniform in all respects and form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company.

Subject to any rights and restrictions attached to any shares, on a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Ordinary Share.

Except as provided by the rights and restrictions attached to any class of shares, Shareholders are under general law entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

Subject to the provisions of the Act, rights attached to any class of shares (unless otherwise provided by the terms of allotment of the shares of that class) may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

Preference shares

Preference shares entitle their holder to receive notice of and to attend and speak at general meetings of the Company. Preference shares do not entitle their holder to vote at general meetings of the Company.

The rights attached to the Preference Shares may be waived, varied or abrogated with the consent in writing of the holders of at least 50% in nominal value of the Preference shares in issue. To the extent that such a waiver, variation or abrogation of any of the rights attached to the Preference shares adversely affects one group of Preference shares, such waiver, variation or abrogation must be approved by or on behalf of the holders of at least 50% in nominal value of the Preference shares in each respective group.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares are under general law entitled to participate in any surplus assets in a winding up in proportion to their shareholdings, provided that the assets of the Company available for distribution among the members shall be applied in paying to the Preference Shareholders in proportion to the number of Preference Shares held by each of them, in priority to any payment to the holders of any Ordinary Shares in the Company, the issue price per Preference Share.

22 Share based payments

The Group operates three share award plans, all of which are equity settled.

The Performance Share Plan (PSP)

The PSP was adopted by the directors on 27 February 2014. All employees of the Group 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.

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

The Restricted Stock Plan (RSP)

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

All employees of the Group (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. Other than these initial 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.

22 Share 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 at an exercise price which may not be less than the market value of an Ordinary Share on the date of grant.

All employees of the Group 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 did not have any related performance conditions. All awards 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.

The number and weighted average exercise prices of share based payment awards are as follows:

For the period ended 30 March 2014

	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 1 April 2013	**-**	-	-	-	-	-
Granted during the period	**-**	1,248	-	293	3.75	946
Outstanding at 30 March 2014	**-**	1,248	-	293	3.75	946

In the period ended 31 March 2013, the Group did not operate any share based payment schemes. Therefore no comparatives are presented.

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:

	30 March 2014	31 March 2013
Share price at grant date	**£3.75**	–
Fair value at grant date	**92.48p**	–
Exercise price	**£3.75**	–
Expected volatility	**32.5%**	–
Option life (years)	**10**	–
Expected life (years)	**4**	–
Expected dividend yield	**1.09%**	–
Risk-free interest rate (based on national government bonds)	**1.3%**	–

As the Company has recently listed, there is no 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.

22 Share based payments (continued)

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

	52 Weeks 2014 £'000	52 Weeks 2013 £'000
Equity settled share based payment expense	**44**	–

23 Financial instruments and related disclosures

Financial risk management

The Directors have overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risk is maintained and reviewed by the Directors, who also monitor the status of agreed actions to mitigate key risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. This risk arises from the Group's foreign exchange, interest rate and commodity hedging agreements with its banking counterparties. The Group only deals with credit with Banks in the Banking Syndicate or with Banks who are creditworthy, and monitors the creditworthiness of these counterparties using publicly available information.

As the principal business of the Group is cash sales, the Group trade receivables are small. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

Group policy is that surplus funds are placed on deposit with counterparties, who are either party to the Group's Banking syndicate, or who are creditworthy counterparties with a minimum of BBB credit rating.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group for the current Business Plan.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements and by monitoring covenants on a regular basis to ensure there are no expected significant breaches, which would lead to an "Event of Default". Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the strong cash generating ability of the business and its ability to operate within existing agreed banking facilities. There have been no breaches of covenants during the reported periods.

The Group has a £55.0 million Revolving Credit and Working Capital facility to support short and medium term liquidity.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk, although the Group does hedge fuel used by its fleet of vehicles in the distribution of product to stores.

23 Financial instruments and related disclosures (continued)

Interest rate risk

The Group's revolving credit facility incurs variable interest rate charges linked to LIBOR plus a margin dependent on the Group's net debt ratio. The Group's policy aims to manage the interest cost of the Group within the constraints of its financial covenants and Business Plan.

The Group has hedged interest rate risk by purchasing an interest rate cap to mitigate interest rate risk to the end of October 2014.

The Group believes that the current interest rate hedge is adequate, and is continuing to monitor the interest rate swap market and future cash flows to decide on the appropriateness of any further hedges on the expiry of the existing contracts.

Foreign currency risk

The Group has a significant transaction exposure with increasing, direct sourced purchases from its suppliers in the Far East, with most of the trade being in US dollars. In addition to this, the Group is exposed to transaction risk on the translation of surplus Euro balances, generated by the Republic of Ireland branch, into sterling. The Group's policy allows these exposures to be hedged for up to 18 months forward in order to fix the cost in sterling. Hedging is performed through the use of foreign currency bank accounts and forward foreign exchange contracts.

The Group does not hedge either economic exposure or the translation exposure arising from the profits, assets and liabilities of non-sterling businesses whilst they remain immaterial.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	30 March 2014		31 March 2013	
	USD £'000	**Euro £'000**	USD £'000	Euro £'000
Cash and cash equivalents	**1,301**	**2,898**	124	2,342
Trade and other payables	**1,617**	**(3,027)**	1,011	(2,776)
	2,918	**(129)**	1,135	(434)

Pension liability risk

The Group has no association with any defined benefit pension scheme and therefore carries no deferred, current or future liabilities in respect of such a scheme. The Group operates a number of Group Personal Pension Plans for its colleagues.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its Shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The Directors regularly monitor the level of capital in the Group to ensure that this can be achieved.

23 Financial instruments and related disclosures (continued)

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short term deposits and borrowings	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the statement of financial position.
Forward currency contracts	The fair value is determined using the market forward rates at the reporting date and the outright contract rate.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

Level 1:	quoted prices in active markets for identical assets or liabilities
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All financial instruments carried at fair value have been measured using a Level 2 valuation method.

The fair value and carrying value of financial assets and liabilities are as follows:

	30 March 2014 £'000		31 March 2013 £'000	
	Carrying value	**Fair value**	Carrying value	Fair value
Cash and cash equivalents	**25,268**	**25,268**	42,861	42,861
Trade and other receivables	**24,960**	**24,960**	20,734	20,734
Derivative contracts used for hedging (assets)	**519**	**519**	4,615	4,615
Total financial assets	**50,747**	**50,747**	68,210	68,210
Trade and other payables	**(139,188)**	**(139,188)**	(111,507)	(111,507)
Borrowings at amortised cost	**(30,000)**	**(30,000)**	(52,018)	(52,018)
Derivative contracts used for hedging (liabilities)	**(6,666)**	**(6,666)**	(397)	(397)
Total financial liabilities	**(175,854)**	**(175,854)**	(163,922)	(163,922)

23 Financial instruments and related disclosures (continued)

Financial instruments sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on its earnings. At the end of each reporting period, the effect of hypothetical changes in interest and currency rates are as follows:

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) if interest rates were to change by +/- 1%. The impact on the results in the income statement and statement of other comprehensive income and equity would be:

	30 March 2014 Increase/(decrease) in equity £'000	31 March 2013 Increase/(decrease) in equity £'000
+1 % movement in interest rates	**47**	121
-1 % movement in interest rates	**(47)**	(121)

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its US dollar financial instruments, the major currency in which the Group's derivatives are denominated:

	30 March 2014 Increase/(decrease) in equity £'000	31 March 2013 Increase/(decrease) in equity £'000
10% appreciation of the US dollar	**13,257**	12,112
10% depreciation of the US dollar	**(10,847)**	(9,924)

A strengthening/weakening of sterling, as indicated, against the US dollar at the reporting date would have increased/(decreased) the cash flow hedge reserve and retained earnings by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

There are no material movements in the income statement for the period. The movement in equity relates to the fair value movements on the Group's forward contracts that are used to hedge future inventory purchases.

Contractual cash flows

The contractual maturity of bank borrowings excluding the impact of netting agreements is shown below:

	30 March 2014 Increase/(decrease) in equity £'000	31 March 2013 Increase/(decrease) in equity £'000
Due in less than one year	**-**	2,322
Expiring between one and two years	**-**	6,750
Expiring between two and five years	**30,000**	45,842
Contractual cash flows	**30,000**	54,914
Carrying amount	**30,000**	52,018

23 Financial instruments and related disclosures (continued)

The following table provides an analysis of the anticipated contractual cash flows for the Group's derivative contracts:

USD

	30 March 2014		31 March 2013	
	Payable £'000	Receivable £'000	Payable £'000	Receivable £'000
Due in less than one year	**(96,036)**	**90,160**	(89,040)	93,205
Expiring between one and two years	**(29,876)**	**28,852**	(15,479)	15,864
Contractual cash flows	**(125,912)**	**119,012**	(104,519)	109,069
Fair value	**(6,574)**	**-**	-	4,615

Euro

	30 March 2014		31 March 2013	
	Payable £'000	Receivable £'000	Payable £'000	Receivable £'000
Due in less than one year	**(19,013)**	**19,562**	(18,661)	18,322
Contractual cash flows	**(19,013)**	**19,562**	(18,661)	18,322
Fair value	**-**	**519**	(339)	-

Interest rate swap and cap

	30 March 2014		31 March 2013	
	Payable £'000	Receivable £'000	Payable £'000	Receivable £'000
Due in less than one year	**-**	**-**	(58)	-
Contractual cash flows	**-**	**-**	(58)	-
Fair value	**-**	**-**	(58)	-

Fuel hedge

	30 March 2014		31 March 2013	
	Payable £'000	Receivable £'000	Payable £'000	Receivable £'000
Due in less than one year	**(92)**	**-**	-	-
Contractual cash flows	**(92)**	**-**	-	-
Fair value	**(92)**	**-**	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Other		Land and Buildings	
	30 March 2014 £'000	31 March 2013 £'000	**30 March 2014 £'000**	31 March 2013 £'000
Less than one year	**4,285**	4,244	**78,278**	71,110
Between one and five years	**5,894**	6,705	**283,338**	251,081
More than five years	**-**	-	**229,585**	205,657
	10,179	10,949	**591,201**	527,848

The Group leases a number of stores and warehouses under operating leases of varying lengths, for which incentives/premia are received/paid under the relevant lease agreements.

During the year £78.5 million was recognised as an expense in the income statement in respect of operating leases *(2013: £68.7 million)*.

25 Commitments

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

	30 March 2014 £'000	31 March 2013 £'000
Contracted	**1,986**	1,212

26 Contingencies

The Company and certain subsidiaries within the Group, namely Poundland Holdings Limited and Poundland Limited, are party to cross guarantees given for bank loans and overdrafts amounting to £31,500,000 *(31 March 2013: £56,414,000. The companies party to the cross guarantee were Poundland Holdings Limited, Poundland Retail Limited, Poundland Willenhall Limited and Poundland Limited)*.

27 Related parties

Transactions with key management personnel

Directors of Poundland Group plc control 6.57% of the voting shares of the Company. At 31 March 2013, Directors of Poundland Group Holdings Limited controlled 13.4% of that company's voting shares.

The compensation of key management personnel (including the Directors) is as follows:

	30 March 2014 £'000	31 March 2013 £'000
Key management personnel emoluments	**2,334**	2,125
Company contributions to money purchase pension schemes	**228**	205
Amounts receivable under long term incentive schemes	**15**	-
	2,577	2,330

In March 2012, July 2012 and December 2013, loans were advanced to certain Directors of the Group's subsidiary companies. No interest was payable on these loans. At 30 March 2014 £nil (2013: £145,000) was outstanding and is included within trade and other receivables. All loans were repaid during the period, on 17 March 2014.

At 30 March 2014, £50,000 is owed to the Company by Warburg Pincus Private Equity X, L.P. in respect of its initial share capital. This balance is included within trade and other receivables (note 17).

28 Subsidiary undertakings

The Company has the following investments in subsidiaries:

		Country of incorporation	Class of shares held	Ownership 30 March 2014 %
Poundland Group Holdings Limited*	Investment company	Great Britain	Ordinary	100
Poundland Value Retailing Limited	Investment company	Great Britain	Ordinary	100
Poundland Retail Limited	Investment company	Great Britain	Ordinary	100
Poundland Holdings Limited	Investment company	Great Britain	Ordinary	100
Poundland Willenhall Limited	Investment company	Great Britain	Ordinary	100
Poundland Trustee Limited	Trustee	Great Britain	Ordinary	100
Poundland Limited	Single price value retailer	Great Britain	Ordinary	100
M&O Business Systems Limited	Dormant	Great Britain	Ordinary	100
Bargain Limited	Dormant	Great Britain	Ordinary	100
Homes & More Limited	Dormant	Great Britain	Ordinary	100
Poundland Stores Limited	Dormant	Great Britain	Ordinary	100
Poundland International Limited	Dormant	Great Britain	Ordinary	100
Sheptonview Limited	Dormant	Great Britain	Ordinary	100
Poundland Far East Limited	Product sourcing	Hong Kong	Ordinary	100

These subsidiaries are included within these consolidated financial statements.

*Directly held subsidiary. All other subsidiaries are held indirectly.

29 Accounting estimates and judgements

The preparation of the consolidated financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

Allowances against the carrying amount of inventories

The Group provides against the carrying amount of inventories for inventory lines based on expected demand for its products to ensure that inventory is stated at the lower of cost and net realisable value. Judgement is required in respect of assessing future demand and promotional offers.

Impairment of goodwill

On an annual basis, the Group is required to perform an impairment review to assess whether the carrying value of goodwill is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in the impairment of goodwill are detailed in note 12.

Provisions

Provisions are made using the Directors' best estimates of future cash flows based on the current level of information available to them. Actual cash flows will be dependent on future events. For details of assumptions see note 20.

Depreciation and amortisation

Judgement is required in assessing the useful economic lives of tangible fixed assets and intangible assets. These assumptions are based on the Directors' best estimate of the life of the asset and its residual value at the end of its economic life.

Valuation of other intangible assets

The assessment of fair value in a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities in the acquired business. The key judgements required are the identification of intangible assets meeting the recognition criteria of IAS 38 and their attributable fair values. The key assumptions in relation to the brand valuation are the Directors' best estimate of its life and the royalty and discount rate used in its valuation.

Deferred taxation

The Group recognises deferred tax assets and liabilities based upon future taxable income and the expected recoverability of the balance. The estimate will include assumptions regarding future income streams of the Group and the future movement in corporation tax rates in the respective jurisdictions.

30 Events after the reporting date

On 2 April 2014 Dealz Poundland Retail Ireland Limited was incorporated. It is a wholly owned subsidiary of Poundland Limited.

On 16 April 2014 Poundland International Limited acquired the entire share capital of Brandelirial, S.L. and renamed it Dealz Espana, S.L..

On 14 May 2014 the Company reduced its share capital, via a court approved process. The nominal value of each share was reduced from £1.70 to 1p. Following the reduction, the nominal value of share capital is £2.5 million. These events were disclosed in the initial public offering pathfinder prospectus.

Company Balance Sheet

at 30 March 2014

	Note	30 March 2014 £'000	£'000
Fixed assets			
Investments			
	4		**425,044**
Current assets			
Debtors	5	**917**	
Cash		**4,480**	
		5,397	
Creditors: amounts falling due within one year	6	**(13,836)**	
Net current liabilities			**(8,439)**
Total assets less current liabilities, being net assets			**416,605**
Capital and reserves			
Called up share capital	7		**425,050**
Profit and loss account	8		**(8,445)**
Shareholders' funds	9		**416,605**

The notes on pages 97 to 100 form part of these financial statements.

These financial statements were approved by the board of directors on 2 July 2014 and were signed on its behalf by:

NR Hateley
Director

Registered number: 08861243

Notes to the Company 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.

The Company was incorporated on 24 January 2014 and, therefore, no comparative information is presented. On 14 February 2014, the Company was registered as a public limited company. On 17 March 2014, its shares were listed on the London Stock Exchange.

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with all UK applicable accounting standards and under the historic cost convention

No profit or loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company loss for the period was £8,489,000, mainly related to non-underlying costs in respect of the IPO.

Going concern

The Company financial statements are prepared on a going concern basis. The Company heads a Group which the Directors believe has adequate resources to continue in operational existence for the foreseeable future. New banking facilities were agreed on 17 March 2014 and the Group's forecast and projections show this new facility provides adequate headroom for its current and future anticipated cash requirements.

Share based payments

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

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.

Cash flow

Under FRS 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement as a consolidated cash flow has been included in the Poundland Group plc consolidated 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 Fees payable to the Auditors

Auditor's remuneration is detailed in note 7 to the Group financial statements.

3 Staff numbers and costs

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 38 to 51.

Notes to the Company financial statements continued

4 Investments in subsidiaries

	Investment in subsidiary undertakings £'000
At beginning of period	-
Additions	425,000
Equity settled share based payments	44
At end of period	**425,044**

The Company has the following investments in subsidiaries:

		Country of incorporation	Class of shares held	Ownership 30 March 2014 %
Poundland Group Holdings Limited*	Investment company	Great Britain	Ordinary	100
Poundland Value Retailing Limited	Investment company	Great Britain	Ordinary	100
Poundland Retail Limited	Investment company	Great Britain	Ordinary	100
Poundland Holdings Limited	Investment company	Great Britain	Ordinary	100
Poundland Willenhall Limited	Investment company	Great Britain	Ordinary	100
Poundland Trustee Limited	Trustee	Great Britain	Ordinary	100
Poundland Limited	Single price value retailer	Great Britain	Ordinary	100
M&O Business Systems Limited	Dormant	Great Britain	Ordinary	100
Bargain Limited	Dormant	Great Britain	Ordinary	100
Homes & More Limited	Dormant	Great Britain	Ordinary	100
Poundland Stores Limited	Dormant	Great Britain	Ordinary	100
Poundland International Limited	Dormant	Great Britain	Ordinary	100
Sheptonview Limited	Dormant	Great Britain	Ordinary	100
Poundland Far East Limited	Product sourcing	Hong Kong	Ordinary	100

* Directly owned subsidiary. All other subsidiaries are held indirectly.

On 17 March 2014, the Company acquired 100% of the share capital of Poundland Group Holdings Limited in a share for share exchange transaction.

5 Debtors

	30 March 2014 £'000
Group relief	3
Amounts owed by Warburg Pincus Private Equity X, L.P.	50
Other taxation and social security	239
Amounts owed by Group undertakings	625
	917

6 Creditors: Amounts falling due within one year

	30 March 2014 £'000
Accruals and deferred income	4,647
Amounts owed to group undertakings	9,189
	13,836

7 Called up share capital

	30 March 2014 £'000
Allotted and called up	
250,000,000 ordinary shares of £1.70 each	425,000
49,999 preference shares of £1 each	50
	425,050

The Company was incorporated on 24 January 2014 and issued one Ordinary Share of £1 at par and 49,999 preference shares of £1 at par.

On 11 March 2014, the £1 ordinary share was sub-divided into 100 1p ordinary shares. The Company then issued 70 1p ordinary shares. The 170 1p shares were converted to one Ordinary Share with a nominal value of £1.70.

On 17 March 2014, the Company issued 249,999,000 Ordinary Shares of £1.70 in exchange for all classes of shares of Poundland Group Holdings Limited.

Rights attached to shares

Ordinary shares

The rights attaching to the Ordinary Shares are uniform in all respects and form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company.

Subject to any rights and restrictions attached to any shares, on a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Ordinary Share.

Except as provided by the rights and restrictions attached to any class of shares, Shareholders are under general law entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

Subject to the provisions of the Act, rights attached to any class of shares (unless otherwise provided by the terms of allotment of the shares of that class) may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

Preference shares

Preference Shares entitle their holder to receive notice of and to attend and speak at general meetings of the Company. Preference Shares do not entitle their holder to vote at general meetings of the Company.

The rights attached to the preference shares may be waived, varied or abrogated with the consent in writing of the holders of at least 50% in nominal value of the Preference Shares in issue. To the extent that such a waiver, variation or abrogation of any of the rights attached to the Preference Shares adversely affects one group of Preference Shares, such waiver, variation or abrogation must be approved by or on behalf of the holders of at least 50% in nominal value of the Preference Shares in each respective group.

Notes to the Company financial statements continued

7 Called up share capital (continued)

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings, provided that the assets of the Company available for distribution among the members shall be applied in paying to the preference Shareholders in proportion to the number of Preference shares held by each of them, in priority to any payment to the holders of any Ordinary Shares in the Company, the issue price per Preference share.

8 Reserves

	Profit and Loss account £'000
At beginning of period	-
Loss for the financial period	(8,489)
Equity settled share based payments	44
At end of period	**(8,445)**

9 Reconciliation of movements in Shareholders' funds

	30 March 2014 £'000
Opening shareholders' funds	**-**
Loss for the financial period	**(8,489)**
New shares issued	**425,050**
Equity settled share based payments	**44**
Closing Shareholders' funds and net addition to Shareholders' funds	**416,605**

10 Contingent liabilities

The Company is party to cross guarantees given for bank loans, overdrafts, duty and letter of credit guarantees of Poundland Holdings Limited and certain fellow group companies amounting to £31,500,000.

11 Transactions with related parties

The Company has taken advantage of the exemption conferred by paragraph 3(c) of FRS 8 *'Related Party Transactions'* not to disclose transactions with other Group companies.

12 Events after the balance sheet date

On 14 May 2014 the Company reduced its share capital, via a court approved process. The nominal value of each share was reduced from £1.70 to 1p. Following the reduction, the nominal value of share capital is £2.5 million.

These events were disclosed in the initial public offering pathfinder prospectus.