

**Poundland Limited**  
Annual report and financial statements

Registered number 2495645  
for the 52 week period ended  
25 September 2022

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## Strategic report

### Principal activity and business review

The Directors present their strategic report for the 52 weeks ended 25 September 2022.

Poundland Limited (“Poundland” or “the Company”) operates in the value retail sector in the United Kingdom (UK), and in the Republic of Ireland (ROI) and the Isle of Man under the ‘Dealz’ brand. The Company continues to be a major operating subsidiary of Pepco Group N.V. (the “Pepco Group”).

Macro-economic conditions continue to be challenging, exacerbated by the enduring effects of Covid-19 and the Russian invasion of Ukraine (further detailed on page 5), with their consequential impacts on the supply chain, unprecedented inflationary increases from input costs, container costs and wage inflation. Despite these challenges faced during the year, the Company continued to make strong progress, delivering a 2.7% increase in revenue. In part this was due to the opening of 41 new stores. Like-for-like (LFL) revenue growth of 2.1% reflected an enhanced customer offer and perception driven by 129 store renewals. Most importantly has been our continued commitment to providing families on a budget with a value-led proposition, a wide product range, and a focus on convenience across our stores.

Our strong financial and operating performance for the year is testament to the underlying resilience and agility of the business and the colleagues who work in it. We could not have achieved this result without the remarkable efforts of our colleagues who serve our customers and communities.

### Strategic aim

The Company’s strategic aim is to create amazing value for its customers every day. We offer amazing value by implementing and executing a number of strategies aimed at enhancing the customer experience. Our strategy is based on four key pillars:

- Bigger – grow revenue, brand and market share
- Better – enhance portfolio of stores, categories and ranges
- Cheaper – drive cost efficiency
- Simpler – simplify customer offering and drive operational simplicity

#### *Bigger*

*New Stores* - We continue to expand our footprint in markets where we are under-represented through targeted new store acquisition and re-location of existing stores to larger premises. However, we favour quality over quantity and during the period we opened 41 stores and closed 43 loss-making/under-performing stores. At the period-end we were trading from 821 stores in the UK, IoM and ROI.

*Digital* - In February 2022, the Company acquired a 100% shareholding in Online Poundshop Limited (“Poundshop”) immediately giving us a UK wide transactional website and now access to Poundshop’s 339,000 strong customer base. The acquisition is a core element of our digital strategy and since acquisition we have continued to invest in this business and the results to date have exceeded our expectations.

#### *Better*

*Price leadership* - We have continued to develop our “simple pricing” policy, particularly in our FMCG and general merchandise categories. This has led to an increased proportion of our sales being at prices other than £1 to 58% an increase of 19 ppts compared to the prior year.

*Product and proposition innovation* - Following the acquisition of Fultons Foods in 2020, we continue to see strong consumer demand for the popular chilled and frozen items, and will continue to introduce these ranges more widely across stores as well as new categories. As part of our drive to leverage the Group’s scale and become a better business, Poundland will begin to source its clothing and GM offerings from Pepco. The first Pepco-branded clothing items in Poundland will be introduced from autumn 2023, helping to drive increased brand awareness and enhanced purchasing terms with suppliers, and to leverage the Group’s fully integrated end-to-end sourcing entity

*Investing in our existing retail estate* - In parallel with our proposition development we continue to deliver our Project Diamond store renewal programme. During the year we completed a further 129 Diamond refits such that at the year end we had in excess of 340 stores refitted under this programme.

*New formats*- Alongside our proposition development we have also developed both larger and smaller formats to serve of communities. We have trialled a larger format store in two locations during the year which has given us sufficient confidence to invest in two further larger stores subsequent to the year end. We have also invested in a number of smaller convenience stores serving local communities.

## Strategic report (continued)

### Strategic aim (continued)

#### *Cheaper*

*Operating cost management* - Our cost base remains a key focus for the Company and there are a number of critical levers:

- We continued to deliver significant savings on our rental costs, where the volume of lease expiry events and the strength of our negotiating position delivered significant benefits. We renegotiated 82 leases in the year, saving on average 45% versus the prior lease agreement, alongside acquiring new sites at attractive lease terms.
- The reduction of our labour costs through continued technology investment in store enabled wi-fi and equipping our teams with mobile technology to streamline our store processes.
- Following the success of the Pepco programme, Poundland is now undertaking an end-to-end supply chain programme that leverages best practices from Pepco.

#### *Simpler*

*Technology investment* - During the period we have continued to invest in our IT systems, notably our continued investment in a new Oracle ERP system, while enhancing our existing order and replenishment systems.

*Continued infrastructure investment* - Following the success of the Pepco programme, Poundland is now undertaking an end-to-end supply chain programme that leverages best practices from Pepco

### Financing

Any financing the Company incurs is drawn down through the Group, the Company does not take on any material third party financing. No further financing activity was undertaken by the Group in FY22. The FY21 IPO-linked financing remains in place comprising €550m of external term debt and a €190m revolving credit facility (RCF), all of which replaced existing lending and ensured all outstanding loans with the Steinhoff Group were repaid.

### Key performance indicators

The KPIs used by the Company are relevant to the sector in which it operates. These are revenue, Company adjusted EBITDA, Underlying EBITDA margin and number of stores. Performance against these KPIs is summarised in the table below.

	52 weeks to 25 September 2022	52 weeks to 26 September 2021
Revenue (£m)	1,586	1,545
Company adjusted EBITDA (£m)	173.9	179.2
Underlying EBITDA margin (%)	11.0	11.6
Number of stores	821	823

### Results for the period

The results for the period are set out in the income statement on page 20.

Revenue in the 52 week period was £1.6 billion (52 weeks to 26 September 2021: £1.5 billion). Like-for-Like (LFL) sales in the period increased by 2.1% and on a 2 year basis increased by 4.2%. In total sales increased by 2.7% in the period and increased by 7.4% on a 2 year basis. This illustrates the benefits driven by the continued strengthening of our customer proposition through the "Diamond" refit programme.

Despite the significant headwinds driven by escalating inflation that have been building across FY22, gross margin has held up at 38.1% versus 37.7% in FY21, benefiting from a close focus on stock and lower write-offs versus a Covid-19 impacted FY21. Similarly, operating costs have remained broadly level year on year at 27.6% (FY21: 27.7%).

Working capital increases represent a planned increase in inventory in FY22 as we return to a higher, more normalised stock position following the significant supply chain disruption in FY21, which ultimately saw us close the prior year with lower inventory and higher cash. Q4 FY22 has seen us build up appropriate levels of stock holding to capitalise on the significantly important Q1 FY23 "peak" trading period, which will also include the sell-through of some FY21 Christmas stock that was held in distribution centres as a result of being delivered too late to sell in FY21.

## Strategic report (continued)

### Results for the period (continued)

The Company manages performance on an underlying basis after adjusting for non-underlying items. In FY22 non-underlying items totalled £9.8m (FY21: £4.2m) and were:

- £8.1m relating to Software-as-a-Service (SaaS) costs that, following the IFRS Interpretations Committee (IFRIC) pronouncement in April 2021, is recognised as operating expenditure.
- £1.7m associated with restructure costs relating mainly to the head office and stores in the Republic of Ireland.

Customer satisfaction remains broadly level year on year as we continue to keep the customer at the heart of everything we do. The Company achieved a Group-wide NPS of 35 (FY21: 37) which remains consistent with our peers in the retail sector. NPS is a valuable measure for the various retail brands within the Group and is based on customer surveys undertaken across countries which cover our geographical operations. With our key strategic initiatives of refreshing and developing our store portfolio now underway, we see this as an enabler to enhance the NPS score in future.

### Reconciliation of adjusted profit measure (“EBITDA”)

The directors consider Earnings Before Interest, Taxes, Depreciation, and Amortisation (“EBITDA”) to be a more consistent measure of operating performance. Operating profit is adjusted to exclude the impact of amortisation of intangible assets, depreciation and impairment of fixed assets.

Adjusted 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 ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Operating profit	55,645	54,095
Add back:		
Amortisation of intangibles	2,005	2,918
Depreciation of owned and assets under leases	31,008	28,091
Depreciation of Right-of-Use assets	75,415	88,406
Non-underlying expenses (note 4)	9,804	5,696
<b>Adjusted EBITDA</b>	<b>173,877</b>	<b>179,206</b>

### Principal risks and uncertainties

#### Competition

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 Company competes at both national and local levels with a diverse group of retailers of varying sizes and covering different product categories.

These competitors include value general merchandise retailers, supermarkets, apparel retailers and certain other high street retailers in particular categories. Declining high street footfall is intensifying the competitive environment, further raising the importance of price, product selection and customer service.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### *Business interruption – logistics and IT*

The Company's success depends on its ability to transport goods from its UK distribution centres to its stores through the UK and Ireland in a timely and cost-effective manner. Any unexpected delivery delays, for example the result of severe weather or disruption to the national or international transportation infrastructure, or increase in transportation costs, such as increased fuel costs, could materially adversely affect the business. Any significant failure in the IT processes of the retail operations in stores or in the supply chain could impact the ability to trade. The Company has detailed recovery plans in place in the event of a significant failure.

#### *Stock / inventory management – shrink and impact on working capital*

The Company's cash flows from operations may be negatively affected if it is not successful in managing its inventory balances or level of stock.

#### *Sourcing, product safety and quality*

The Company sources its products via third party suppliers. It is essential that the Company continually identifies, develops and maintains relationships with its suppliers. The Company is reliant on these suppliers being able to provide products in sufficient quantities, at appropriate cost and in a timely manner. The Company has good, long-term relationships with its suppliers which continue to improve as an overwhelming number of primary manufacturers supply on a direct basis. The safety and quality of product is very important to the Company, as is the adherence of all suppliers to principles of ethical sourcing which are enshrined into codes of conduct. All suppliers are required to adhere to the code of conduct and factories and suppliers are audited and supported to ensure these standards are met. This includes an assessment of all new suppliers that are onboarded as well as regular compliance audits of active supplier factories. In addition, legal or regulatory requirements that suppliers should comply with are clearly laid out.

#### *Trading environment*

Inflation, currency fluctuations or other factors may affect Poundland's ability to keep its current pricing strategy. The current pricing strategy is predicated on providing a wide range of merchandise for profitable resale for the majority of products at a single price point of £1 in the UK or €1.50 in ROI. The Company has been able to profitably maintain its pricing strategy by managing its product range (such as by introducing new higher margin branded and own label products or discontinuing low margin products, moving sources of supply to lower cost economies, re-engineering pack sizes and renegotiating with suppliers). The Company pays certain suppliers overseas in US dollars, however, customers pay for products in sterling in the UK or Euros in ROI. The Company therefore bears the risk of disadvantageous changes in exchange rates and has policies in place to hedge forwards. Hedging is performed through the use of foreign company bank accounts and forward foreign exchange contracts.

#### *Regulatory and political – including national living wage, VAT, sugar tax*

The Company is impacted by legal and regulatory changes, such as the National Living Wage, VAT changes and consumer policy changes. The Company is a member of industry representative bodies, e.g. the British Retail Consortium, to ensure its voice and its customers' and colleagues' voices can be heard. Good governance practices are important to the Company and it actively monitors important developments.

#### *Colleague retention*

The success of the Company's strategy depends on the continuing services of the Directors and its ongoing ability to attract, motivate and retain other highly qualified employees. Retention of highly qualified employees is especially important due to the limited availability of experienced and talented retail executives.

#### *Supply chain*

Towards the end of the previous financial year the improving customer demand and business activity following the relaxation of Covid-19 restrictions placed increased pressure on supply chains. For nearly all retailers, a reduction in raw material availability drove commodity price inflation – further compounded by constrained container capacity – significantly increasing shipping costs and disrupting the flow of goods.

The Company acted quickly to alleviate these pressures. Principally driven through our Far East sourcing operation, PGS, we leveraged our strong direct relations with suppliers and factories to re-engineer products to reduce input costs and closely coordinate our flow of goods to maximise the filling of containers. We also leveraged the teams we have on the ground to coordinate our response with local ports to reduce disruption and ensure shipping capacity.

The level of cost inflation in commodity and shipping worsened throughout the current financial year. As such we continue to invest in our price proposition to best meet our customers' needs. In addition, we are executing a number of programmes across our business that will seek to mitigate these costs.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Covid-19 Pandemic

The Covid-19 global pandemic continued to impact both the UK and ROI during the first quarter of the current financial year albeit at a much reduced level compared to the previous year.

The potential breadth, length and depth of the impact of any future Covid-19 government restrictions are uncertain as is the impact on our trading performance. However, we are confident in our ability to react effectively as restrictions are re-introduced as we have since the beginning of the pandemic.

#### Russian invasion of Ukraine and the cost of living and inflation crisis

The Russian invasion of Ukraine and the cost of living and inflation crisis has had, and continues to have, wide-ranging consequences on our full list of principal risks and is not, therefore, presented as a single principal risk. This has not changed.

### S172(1) Statement & our Stakeholders

This section describes how the Board have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in relation to their decision making.

#### Our stakeholders

The Board recognises that to achieve its vision and purpose evaluating and considering the interests of its stakeholders are key to the Company's success. The Board considers that our key stakeholders are our customers, colleagues, suppliers and the communities where we operate.

The Board uses a number of methods through which it is able to determine and appraise the interests of stakeholders to inform discussion by the Board and its decision-making. This includes a range of activities from regular management reports through to other forms of direct engagement by members of the Board.

#### Having regard to the interests of the Company employees

##### Employee engagement

Our colleagues rely on us to provide stable employment and opportunities to realise their potential in a working environment where they can be at their best. This year the Company prioritised workplace engagement, seeking to provide a positive workplace experience and creating an environment where our colleagues can excel in a safe environment where all colleagues have equal access to professional and personal development opportunities.

We have a range of formal and informal channels in place across our business through which our workforce shares ideas and concerns with senior management. We prioritise workplace engagement in our businesses and seek to provide a positive workplace experience and environment where our employees can excel and have equal access to professional and personal development opportunities.

A range of communication mediums are employed across our businesses to keep our colleagues up to date and engaged, for example communication boards, emails, online newsletters, social media platforms, team meetings, company updates and TV productions. We also get feedback from our colleagues through surveys. The Company surveys every colleague twice per annum with over 10,000 colleagues taking part which is an engagement in excess of 70%. Colleagues are kept informed of performance and strategy through regular presentations and updates from members of local management.

Departmental 'colleague voice' meetings occur regularly during which employees who have been elected by colleagues meet with local management to discuss employee issues. Issues raised during these meetings are escalated to the People Director and the wider board, where necessary and looped back to the employees during the subsequent weekly departmental meetings.

##### Board decision-making and stakeholder interests

The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of the workforce. The Company has processes in place for whistleblowing and the Board is satisfied that colleagues have the opportunity to raise concerns about possible fraudulent activity and any other concerns that arise within the organisation. The Board is also satisfied that arrangements are in place for proportionate investigation of such matters, including appropriate follow-up action. Controls and procedures are also in place regarding compliance with the Bribery Act 2010.

## Strategic report (continued)

### Having regard to the need to foster the Company business relationships with customers, suppliers and others Customers

#### *Engagement*

Understanding the needs of our customer informs every aspect of our business strategy and customer footfall and transaction growth are key metrics against which we measure our success as a business.

The Directors regularly visit our stores to observe and receive feedback from customers directly, as well as receiving feedback from store colleagues and management with respect to customer views, trends and behaviour. We have worked to improve our customers' in-store experience by transforming the layout of our stores, improving our price offer and expanding our product offering. Within the Company, the extension of our homewares range, the broadening of our food offering to include and extended chilled range and frozen foods and the introduction of other new product categories including a trial of beers, wines and spirits and health and wellbeing products are a direct result of customer feedback.

#### *Board decision-making and stakeholder interests*

The Directors provide updates to the Board on their perceptions of customer sentiment and a broader market view. Customer feedback drives our buying strategy, the development of our in-store proposition, the location and format of our stores and decisions to invest in new markets. The Board also reviews market insight collated by our customer insight team and also external retail strategy consultants.

With the interests of customers in mind, during the year the Board reviewed proposals in respect of: new store openings; further multi-price development; and product category development, including completing the acquisition of Poundshop in February 2022. The Company aims to maintain a balance between all stakeholder interests and seeks to incorporate all views of differing stakeholder groups into the decision making process in order to alleviate any conflicts that may exist.

### Suppliers

#### *Engagement*

The scale and sourcing advantage afforded to the Company by our low-cost direct sourcing model is a key area of competitive advantage to the Company, and our competitive advantage can only be achieved with strong relationships with our suppliers. We regularly meet with our suppliers on an individual ad-hoc basis and at least once a year in a structured forum in which our senior management presents to our key suppliers on the Company growth plan and to give feedback on supplier performance and receives feedback from suppliers to enhance future relationships through joint marketing initiatives and promotional activities. The Company is working with key strategic suppliers to build long term partnerships in order to secure a foundation to grow and develop with us. Our continued growth gives our suppliers the potential to grow with us, which also further strengthens those relationships.

Examples of our engagement with suppliers include sharing fabric, silhouette and colour forecast trends and offering technical training in new fabric developments and technical processes relating to washing, dyeing and performance of fabrics. We have initiated a supplier support program with selected strategic suppliers to share skills and expertise on factory efficiency and end to end sourcing initiatives. These initiatives will generate benefits that will be shared between our suppliers and our business.

#### *Board decision-making and stakeholder interests*

Throughout the year the Board was briefed on the Company strategy with regard to suppliers, notably on the establishment of partnerships with our key strategy suppliers and the development of the supplier support program. The Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money for our investors and the designed quality and service levels for our customers. See also below with regard to ethical trading and our focus on suppliers as part of maintaining a reputation for high standards of business conduct.

### Having regard to the impact of the Company operations on the community and the environment

#### *Engagement*

Communities and the wider public expect us to act as a responsible company and neighbour, and to minimise any adverse impact we might have on local communities and the environment. We are committed to contributing to the communities in which we serve. We do this by providing clean and safe stores, developing an ethical supply chain and by directly giving back to our local communities.



## Strategic report (continued)

### Having regard to the impact of the Company operations on the community and the environment (continued)

#### *Engagement (continued)*

Charity support within the Company's brand is structured through the Poundland Foundation, a grant making charity which amalgamates customer donations, colleague fundraising and supplier support. The Foundation supports the Company's national charity partners as well as smaller organisations and projects across the UK. The three national charity partners are Tommy's, Make a Wish and Whizz Kidz, through which we provide charitable support to families and children. Since our partnerships began, we have raised more than £6m and supported 17,000 families, including people in each of the local communities served by our 821 Poundland stores. As well as our national charity partners, the Foundation also has a grant scheme which is currently focused on the "Kits 4 Kids" initiative, a programme which facilitates grants for children's sport team kits.

Our approach to ESG is embedded within our bigger, better, cheaper, simpler strategy. Driving efficiency improvements is an integral element of the Group's strategy and we believe there is an important link between increasing efficiencies from a cost perspective and enhancing the long-term sustainability of our operations. By retaining price leadership through low-cost operations, our vision is to democratise sustainability for our customers by showing price is not a barrier to sustainable and ethically produced products.

#### *Board decision-making and stakeholder interests*

We have continued to develop our ESG Strategic Framework in 2022, focusing on the priority areas which reflect the most impactful activities within our value chain. The Group's operating companies are given freedom within the Group's ESG Strategic Framework to incorporate it within their local strategies and decision-making processes as appropriate.

#### **Ethical trading and responsible sourcing**

The Group Audit Committee exercises oversight over the Company approach to ethical trading and responsible sourcing and reports to the Board on topics as appropriate. We are committed to embedding practices of ethical trading and responsible sourcing across our business and the Board is actively engaged in the development of a clear and actionable sustainability agenda.

We require our suppliers to adhere to our Supplier Ethical Code of Conduct and we have implemented compliance guidelines to ensure that suppliers comply with our standards of ethical business practice. We give training to our suppliers on issues of ethics and sustainability and conduct assurance checks on suppliers through supplier visits, meetings and presentations and factory visits with both existing and new suppliers.

#### **Future developments**

The Company will continue to invest in new products and product categories to provide amazing value to our customers. We will also continue to focus on the profitability of our store estate, closing loss-making or underperforming stores and opening in selected locations which will benefit from our full product offering. In addition, the investment in technology will facilitate the management of our cost base as we meet the challenges of the evolving retail landscape in all the territories in which we operate.

#### **Approval**

Approved by the Board and signed on its behalf:



**D Williams**  
Director

Midland Road  
Walsall  
West Midlands  
WS1 3TX  
16 February 2023

## Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 25 September 2022 (2021: 52 weeks ended 26 September 2021).

The Company is a private company limited by shares and is registered in England and Wales.

### Existence of branches outside the UK

The Company has branches outside the UK in the Republic of Ireland and the Isle of Man, as defined in section 1046(3) of the Companies Act 2006.

### Going concern

At the time of signing the financial statements, the Directors have a reasonable expectation that the Company has sufficient resources to continue in operation for the foreseeable future, which is not less than twelve months from signing these financial statements. In doing so the Directors have considered reasonable downside sensitivities including assessing the previous impacts of the Covid-19 global pandemic, Russian invasion of Ukraine and the cost of living and inflation crisis on the going concern position and the availability of further liquidity from the Group.

Operating as a discount retailer with a clear strategic focus that has illustrated its financial strength and robustness throughout the Covid-19 pandemic, the Company is well placed to withstand, and potentially benefit from, the volatility within the economic environment.

The Company prepares detailed cash forecasts on a regular basis to anticipate and manage future funding requirements from intercompany facilities, extending for a period of at least 12 months from the date of approval of these financial statements. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility. The directors have obtained a letter of support from its parent undertaking, Pepco Group Limited, and have considered the ability of the PGL Group to be able to give this letter of support for a period of 12 months from the date of these accounts. It has available to it intercompany funding to support its requirements.

Consequently, the directors believe that the Company is well placed to manage its business risks successfully and thus they continue to adopt the going concern basis in preparing the annual financial statements.

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

### Financial risk management objectives and policies

The Company has a formal process for reviewing and managing risk in the business. A register of strategic and operational risks is maintained and reviewed by the directors who also monitor the status of agreed actions to mitigate key risks.

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

#### *Cash flow risk*

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge these exposures.

#### *Credit risk*

The Company's principal financial assets are bank balances, cash and intercompany receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### *Liquidity risk*

The Company has available to it intercompany facilities which enable it to meet the cash demands of the current business plan and its commitments as they fall due.

## Directors' report (continued)

### Financial risk management objectives and policies (continued)

#### *Covid-19 risk*

The Directors will continue to monitor any impacts of Covid-19 on the company, but as at the date of signing the accounts do not believe that there has been any significant impact requiring disclosure.

#### Dividends

The directors do not propose a final dividend. In the prior period no dividends were paid.

#### Directors

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

T Goalen  
B Williams  
A Cooke  
D Williams  
S Cardinaal (resigned 13 October 2021)

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

#### Director indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

#### Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### Future developments and events subsequent to the reporting date

There have been no material events between the balance sheet date and the date of issue of these accounts.

#### Policy and practice on payment of creditors

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

#### Environmental matters

The Company recognises that its operations impact the environment and that this is an increasingly important issue for consumers. The Company actively pursues policies that help to reduce its carbon footprint and costs. It focuses on four key areas: using less electricity, maximising recycling opportunities; improving fuel efficiency; and reducing packaging waste. The Company actively pursues policies that help to reduce the environmental impact of its operations and constantly seeks to reduce energy consumption to deliver efficiencies and meet the exacting environmental requirements of its socially aware customers.

#### Employees

The Company is committed to the ongoing training and development of all colleagues to ensure they have the right skills to perform their jobs and create the right development to ensure equality of opportunity for all.

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

All employees are rewarded with long service awards in five year intervals. Success is recognised and managed through various initiatives in the business. Employees are rewarded for meeting objectives that impact overall business performance and show evidence of living the Company values via the annual bonus scheme. Certain employees are part of long-term incentive plans.

## Directors' report (continued)

### Employees (continued)

Employees are kept informed regarding the Company's affairs and are consulted on a regular basis through meetings wherever feasible and appropriate. Employees are represented at the biannual JCC meetings held between the Company and its union (USDAW). The Company also operates a whistleblowing policy which allows colleagues to raise any concerns in confidence.

### Energy and Carbon Reporting

Our business operations result in environmental impacts which we are committed to minimising through our policies and initiatives. Because of our scale, seemingly small actions can deliver measurable impacts. This means it is important that we accumulate positive practices year on year and continually evolve our business towards more sustainable practices and that our operational decision making considers the impact on the environment, for example the use of natural resources, recycling and energy efficiency.

Our environmental focus is to provide "Better Products" for the environment by working with our supply base to enhance the sustainability of our products and contribute to a "Greener Environment" by lowering our operational impacts on the environment year on year. Some of our key priorities moving forward concentrate on environmentally responsible production, product packaging, use of raw materials, plastic bags, and energy and waste management.

#### *Better Products*

We work with our supply base to provide sustainable options to families on a budget. We aim to remove the myth that price is a barrier to affordable, sustainable and ethically produced products. Sustainable products are becoming increasingly important for value creation and risk mitigation as customers place more and more value on sustainability.

The Company continues to introduce more sustainable product and packaging options into its ranges. All packaging had OPRL information on the Christmas range, we have recently introduced a new Packaging Handbook which will support us in removing any packaging which is not recyclable. We continuously review our OPRL to ensure this is accurate for all packaging types. We achieve this through working with our suppliers and sourcing teams to remove as much plastic as possible from products and assessed sustainable packaging options using our Packaging Handbook and the OPRL guideline.

#### *Environmentally responsible production*

The Company requires supplier sites to carry out their activities in accordance with all applicable national laws, regulations, administrative practices, and policies relating to the preservation of the environment of the countries in which they operate as well as in accordance with relevant international agreements, principles, objectives, responsibilities, and standards regarding the environment. Pepco Group Compliance audits all active factories at least once per year in accordance with our Code of Conduct and local law.

#### *Product packaging*

We work with our suppliers to minimise packaging waste and to use customer packaging that is reusable or recyclable. We aim to minimise the use of plastic by employing alternative solutions such as cardboard, and where plastic is used, we opt for recycled over virgin.

Within the Company, Pep&Co branded "bags for life" are made with 80% recycled materials. A trial of bags made from 100% recycled materials that are 100% recyclable will take place in FY23. "EcoLoop" bags sold at 30p are made from 100% recycled materials and are 100% recyclable.

#### *Greener Environment*

We are committed to minimising the environmental impact involved in the manufacturing, transportation, storage and consumption of the products we sell with the most material impacts including energy use, carbon emissions, water use and waste generation. We support a "Greener Environment" by aiming to lower our impacts on the environment year on year. Our overarching intention is to minimise our negative environmental impacts and improve efficiency wherever possible to reduce the intensity of our impacts, whilst maintaining our strong growth profile and cost leadership for our customers.

#### *Energy and emissions*

Our business has continued to build upon its strategies and initiatives to improve its carbon footprint. The Company is aware there is more to be done and is committed to doing so. We have laid the foundations of our energy management and reporting, which will improve the robustness of our data and allow us to set targets. These improvements will enable us to comply with any future, mandatory or voluntary, disclosures under applicable reporting standards and frameworks. In this area, the role of our strategy delivery group is vital as cohesion between our businesses is required.

## Directors' report (continued)

### Energy and Carbon Reporting (continued)

#### Energy and waste management

Efficient energy and waste management is not only beneficial for the environment but also for our businesses through process efficiencies and associated cost savings. Overall operational waste reduced by 17% in FY22 and less than 1% was disposed via landfill in total across the year, with nil waste to landfill achieved by the year end, reflecting both greater minimisation and in-store segregation of waste.

The Company has been replacing inefficient open-fronted chiller units with full glass door alternatives. So far, it has seen a 70% reduction in the amount of energy required to run the new refrigeration units. All the Company's refrigeration units are expected to be updated by the end of calendar year 2022. Fuel consumption and emissions from distribution are limited by efficient logistics and planning. Vehicle utilisation is maximised by targeting collections direct from suppliers on return legs from store deliveries and investments have been made in double decker trailers which allow more goods to be moved with less trips this has seen a reduction of c. 15,000 miles travelled per week by the Company's distribution fleet. Additionally, more environmentally friendly fuels to power its fleet from 2023 are being looked at. In addition, the company car fleet is now hybrid or fully electric.

The Company is aiming to improve the sustainability of the supply wherever possible. The Company plans to introduce green energy solutions in the coming years and is working on a longer-term decarbonisation strategy. From the beginning of FY23 the Company sourced all energy through the UK's Renewable Energy Guarantees of Origin scheme.

Scope 1 and 2 greenhouse gas emissions have been calculated according to the 2019 UK Government environmental reporting guidance. To report according to this guidance, methodologies outlined in the Greenhouse Gas Protocol Corporate Standard have been followed to calculate our emissions. Scope 1 GHG emissions and energy use have been calculated based upon the quantities of fuel purchased for our transport fleet and gas consumed when heating business premises. Scope 2 GHG emissions and energy use are calculated based upon the quantity of purchased electricity used to power our sites. Our Scope 2 emissions have been calculated using a location-based approach, as per the requirements of the Streamlined Energy and Carbon Reporting ("SECR") disclosure. This method calculates emissions associated with our electricity consumption by using the average emissions intensity of the electricity grid in the country where the electricity is consumed and does not account for contract or supplier-specific factors.

#### Poundland Limited greenhouse gas and energy usage data for FY22 and FY21

FY22	Energy usage (MWh)	Emissions (tCO <sub>2</sub> e)	Intensity ratio (tCO <sub>2</sub> e per £1m of turnover)
Transport	55,724	13,234	
Gas combustion	1,170	213	
Electricity	89,361	17,087	
<b>Total</b>	<b>146,255</b>	<b>30,534</b>	<b>19.25</b>
<b>FY21</b>	<b>Energy usage (MWh)</b>	<b>Emissions (tCO<sub>2</sub>e)</b>	<b>Intensity ratio (tCO<sub>2</sub>e per £1m of turnover)</b>
Transport	53,507	12,670	
Gas combustion	2,456	449	
Electricity	88,691	18,831	
<b>Total</b>	<b>144,654</b>	<b>31,950</b>	<b>20.67</b>

Note: Energy and emissions were calculated using available scope 1 and scope 2 data. Emissions were calculated using recommended conversion factors for each country.

## Directors' report (continued)

### Energy and Carbon Reporting (continued)

#### *Energy and waste management (continued)*

Our carbon emissions reporting this year focuses on scope 1 and 2 emissions across the Company. Company emissions usage reduced in FY22 by 4.6% to 30,534 tCO<sub>2</sub>e with an increase in energy usage of 1.1%. Our emissions intensity ratio per £1m of turnover improved to 19.25 tCO<sub>2</sub>e in FY22, a 7.4% efficiency improvement.

#### **Business Relationships**

Information on business relationships is included within the S172(1) report.

### **Company Corporate Governance Report**

For the year ended 25 September 2022, under the Companies (Miscellaneous Reporting) Regulations 2018, the Board has reviewed the Company's Corporate Governance status against the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (FRC) in December 2018.

The Board believes that good Corporate Governance principles are an important means of determining a process of integrity and efficiency in the Company and the wider community in which the Company operates, as well as providing a sound framework within which the business both operates and makes key decisions. While recognising that there is an ongoing need to make improvements in Corporate Governance, the Board consider that the Company is adhering to the Wates Principles in an appropriate way.

#### **Purpose and Leadership**

The long-term strategy and direction of the Company is determined by the Operating Board in agreement with the Pepco Group. The Company's strategy is to create amazing value for its customers every day, through price leadership and product innovation, and this is underpinned by a series of Leadership Principles in which Senior Management have been trained and engaged in their development.

The purpose of the business is clearly defined through three value drivers, 'customer focused', 'people led' and 'tech enabled' and these have been present in colleague communications as well as quarterly roadshows to communicate and embed them in the culture of the organisation.

#### **Board Composition**

The Operating Board comprises the Managing Director, Chief Operating Officer, Finance Director, Logistics Director, Commercial Director, IT Director and People Director. Operating Board members bring a wealth of experience from various backgrounds in Executive roles in Retail, including clothing, discount retail and large supermarket chains, as well as Merchandising, Supply Chain, Logistics and Accountancy.

The chairmanship of the Company's governance Committees has been determined by relevant Directors experiences, with the Board of Directors chaired by the Managing Director, Assurance and Risk Committee by the Finance Director, Health and Product Safety Committee by the Logistics Director, and Data Governance Committee by the IT Director. The board strives to continuously build upon and improve the professional development of its members through attendance of seminars and on-going professional development courses.

The Board has a comprehensive diversity and inclusion strategy with each board member chairing a key workstream. Within the Company, 'wellbeing, inclusion and community' is one of three pillars of the people strategy (along with developing our colleagues and recognising our colleagues) with current areas of focus being on reducing the stigma surrounding mental health, raising awareness and providing resources to colleagues. The Company's existing Diversity and Inclusion Policy has recently been reviewed and updated with supplementary policies launched in October 2022 including Equality, Diversity and Dignity at Work, Gender Identification and Expression, Menopause in the Workplace, Mental Health and Domestic Abuse.

To ensure that the Company maintains the necessary skills, experience and independence of character and judgement of its Board members and senior management team, for the Company to be managed effectively for its long-term success. When considering nominations of new Board members, the Board considers the elements of a diverse composition in terms of nationality, gender, age and background, including expertise and experience.

#### **Director Responsibilities**

The Operating Board receives regular reports on business and financial performance, trading summaries and management of key business risks along with updates on the activities and decisions of its Committees. Board Members also actively attend Governance Committees as part of the governance framework, and the purpose of those Committees is provided below. The Operating Board receive regular specific training and updates from SME's in legal, compliance and internal audit.

## Directors' report (continued)

### Company Corporate Governance Report (continued)

#### Director Responsibilities (continued)

Transactions between the Company and a Board member who has a conflict of interest must be entered into on arm's length terms. A Board member who has a conflict of interest cannot participate in the decision making relating to the subject matter of the conflict of interest. Decisions of the Board may be taken in writing, provided that all Board members (in respect of whom no conflict exists) have consented in writing. There were no material transactions which gave rise to conflicts of interest with any Board members reported during the reporting period.

#### Risk Management

The Operating Board seeks out opportunity while mitigating risk. Long-term strategic opportunities are highlighted in the annual business planning process presented to the Board and subsequently agreed with the Pepco Group. The Audit and Risk Committee ensures that risks are identified and managed appropriately and in a timely manner.

All Operating Board members have been engaged in a formal risk management process whereby they identify and consider risks relating to their area, as well as identifying actions to mitigate risks identified. These are discussed in bi-annual Board risk workshops to update the Corporate Risk Register against a defined risk scoring criteria.

#### Remuneration, Succession and Performance

The Remuneration Committee is responsible for making recommendations to the Board concerning the Company's strategy for remuneration of all employees including executive and senior management to ensure that pay is aligned with performance. A formal Personal Performance Review process has been undertaken with all colleagues, as well as bi-annual Talent Reviews with all senior management to assess composition and succession across the business.

#### Stakeholder Relationships and Engagement

A number of initiatives are in place to maintain strong engagement with colleagues and other stakeholders. Thinktime is used as a source of information for colleagues on key policies, procedures and guidance notes.

A strong emphasis on diversity and wellbeing has been promoted across the company, with a number of diversity groups sponsored by Directors having operated in the financial year, as well as a colleague survey.

The Pepco Group is kept informed of the Company's activities through the attendance of their representatives at Board and certain Committee meetings and through periodic reporting of financial performance.

#### Overview of the Purpose of Governance Committees

##### **Poundland Operating Board**

The Poundland Operating Board is a monthly meeting and includes a detailed presentation on the business, activities and performance of the Company is reviewed at each Operating Board meeting, together with comprehensive financial reports and analysis presented by the Finance Director. The Operating Board is responsible for setting strategic priorities for the business, with proactive oversight of all business operations including the development of the overall leadership and business culture. The Operating Board oversees and assess business performance, and the resources and capabilities required to deliver its objectives and targets.

##### **Nomination and Remuneration Committee**

The Poundland Nomination and Remuneration Committee meet at least twice annually to set the rewards, remuneration and benefits strategy in the context of Group policy. The Committee also oversee senior appointments and review talent and succession coverage. The Committee is chaired by the Chief Operating Officer of Pepco Group.

##### **Assurance and Risk Committee**

The Assurance and Risk Committee, chaired by the Finance Director, meets quarterly shortly after each quarter end. The Committee provides a structured oversight of the business's governance, risk management and internal control practices. The Committee assists the Board and Senior Management by providing advice and guidance on the adequacy of programmes of work relating to risk management, internal control frameworks, oversight of internal audit activities, external audit activity and other assurance work, and to discuss financial statements and accounting responsibilities.

##### **Data Governance Committee**

The Data Governance Committee meets quarterly shortly after each quarter end. It is chaired by the Company IT Director. The Committee provides an oversight of risk management in relation to information created and processed within the Company. The Committee considers risks to confidentiality, integrity and availability of information, and the appropriate workstreams and actions in place to mitigate them.

## Directors' report (continued)

### Company Corporate Governance Report (continued)

#### Overview of the Purpose of Governance Committees (continued)

##### Property Service Board

The Property Service Board meets on a monthly basis to help guide the Company's property and portfolio strategy, such as new store openings, store closures and landlord disputes.

##### Project SteerCo

The Project SteerCo meets on a monthly basis. It is chaired by the Managing Director and the focus of the Committee is on providing guidance, challenge and strategy on key business projects and initiatives, largely driven through the Transformation Team led by the Retail and Transformation Director.

##### Health and Product Safety Committee

The Health and Product Safety Committee is a sub-Committee of the Assurance and Risk meeting. It meets on a Quarterly basis and is chaired by the Logistics Director. The Health and Product Safety Committee provides oversight of Health and Safety matters in Retail and Distribution, including accidents and mandatory inspection, as well as over Quality Assurance processes for product safety.

##### Serious Incident Committee (SIC)

The Serious Incident Committee acts as a sub-committee of the Assurance and Risk Committee. It acts on an ad hoc basis to respond to serious incidents as part of the Company's crisis management and business continuity response process. An SIC would normally be called for urgent attendance by Company senior management in order to deliver an effective and speedy response to contain and quickly manage an incident.

##### Strategic report

Information on principal activity and business review, principal risks and uncertainties, results and dividends, is included within the Strategic report.

Approved by the Board and signed on its behalf by:



**D Williams**  
Director

Midland Road  
Walsall  
West Midlands  
WS1 3TX  
16 February 2023



## Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including *FRS 101 Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

### Opinion

We have audited the financial statements of Poundland Limited (the 'company') for the period ended 25 September 2022 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position; Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 September 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method to assess the company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

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

### Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



David Herbinet (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey

London

EC4M 7AU

Date: 16 February 2023

**Income statement**  
*for the 52 weeks ended 25 September 2022*

	<i>Note</i>	52 weeks ended 25 September 2022			52 weeks ended 26 September 2021		
		Underlying £000	Non underlying items (note 4) £000	Total 2022 £000	Underlying £000	Non underlying items (note 4) £000	Total 2021 £000
<b>Revenue</b>	2	1,586,100	-	1,586,100	1,544,694	-	1,544,694
<b>Cost of sales</b>		(982,480)	-	(982,480)	(960,746)	-	(960,746)
<b>Gross profit</b>		603,620	-	603,620	583,948	-	583,948
<b>Distribution costs</b>		(482,688)	-	(482,688)	(450,916)	-	(450,916)
<b>Administrative expenses</b>		(65,111)	(9,804)	(74,915)	(83,439)	(5,696)	(89,135)
<b>Other operating income</b>		9,628	-	9,628	10,198	-	10,198
<b>Operating profit</b>	3	65,449	(9,804)	55,645	59,791	(5,696)	54,095
<b>Finance income</b>	5	1,372	-	1,372	495	-	495
<b>Finance expense</b>	6	(23,097)	-	(23,097)	(21,112)	-	(21,112)
<b>Profit before taxation</b>		43,724	(9,804)	33,920	39,174	(5,696)	33,478
<b>Taxation</b>	10	(8,791)	-	(8,791)	2,081	1,525	3,606
<b>Profit/(loss) for the period</b>		34,933	(9,804)	25,129	41,255	(4,171)	37,084

The notes on pages 24 to 50 form part of these financial statements.

The Income Statement has been prepared on the basis that all operations are continuing operations in the current and prior period.

**Statement of other comprehensive income**  
*for the 52 weeks ended 25 September 2022*

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
<b>Profit for the period</b>	<b>25,129</b>	<b>37,084</b>
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences - foreign operations	(295)	(680)
Effective portion of changes in fair value of cash flow hedges	36,527	9,700
Net change in fair value of cash flow hedges reclassified to profit or loss	(1,426)	(4,277)
Income tax on items that are or may be reclassified subsequently to profit or loss	(7,551)	(1,030)
<b>Other comprehensive income for the period, net of income tax</b>	<b>27,255</b>	<b>3,713</b>
<b>Total comprehensive income for the period</b>	<b>52,384</b>	<b>40,797</b>

The notes on pages 24 to 50 form part of these financial statements.

**Statement of financial position**  
*At 25 September 2022*

	Note	25 September 2022 £000	26 September 2021 £000
<b>Non-current assets</b>			
Property, plant and equipment	11	389,984	371,331
Intangibles	12	100,764	101,167
Investments in subsidiaries	13	5,185	5,185
Derivative financial instruments	20	4,481	1,180
Deferred tax asset	19	35,224	47,010
		<hr/>	<hr/>
		535,638	525,873
<b>Current assets</b>			
Inventories	14	215,088	191,541
Trade and other receivables	15	131,578	86,944
Derivative financial instruments	20	43,283	6,445
Cash and cash equivalents		42,771	71,611
		<hr/>	<hr/>
		432,720	356,541
		<hr/>	<hr/>
<b>Total assets</b>		968,358	882,414
<b>Current liabilities</b>			
Trade and other payables	16	(325,855)	(275,380)
Lease liabilities	24	(75,785)	(90,703)
Derivative financial instruments	20	(7,669)	(4,502)
Provisions	21	(4,974)	(3,362)
		<hr/>	<hr/>
		(414,283)	(373,947)
<b>Non-current liabilities</b>			
Trade and other payables	17	(11,268)	(15,437)
Loans from parent undertakings	18	(99,126)	(89,609)
Derivative financial instruments	20	(2,041)	(186)
Lease liabilities	24	(248,881)	(264,108)
Provisions	21	(13,988)	(14,070)
		<hr/>	<hr/>
		(375,304)	(383,410)
		<hr/>	<hr/>
<b>Total liabilities</b>		(789,587)	(757,357)
		<hr/>	<hr/>
<b>Net assets</b>		178,771	125,057
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	22	-	-
Capital contribution reserve		10,847	9,517
Translation reserve		(3,587)	(3,292)
Cash flow hedge reserve		29,490	1,940
Retained earnings		142,021	116,892
		<hr/>	<hr/>
<b>Total shareholders' equity</b>		178,771	125,057
		<hr/>	<hr/>

The notes on pages 24 to 50 form part of these financial statements.

These financial statements were approved by the board of directors on 16 February 2023 and were signed on its behalf by:



**D Williams**  
Director

Registered number: 2495645



**Statement of changes in equity**  
*for the 52 weeks ended 25 September 2022*

	Share capital	Capital contribution reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Total shareholders' equity
	£000	£000	£000	£000	£000	£000
Balance at 27 September 2020	-	9,517	(2,612)	(2,453)	79,808	84,260
<b>Total comprehensive income for the period</b>						
Profit for period	-	-	-	-	37,084	37,084
Other comprehensive profit	-	-	(680)	4,393	-	3,713
<b>Total comprehensive income for the period</b>	-	-	(680)	4,393	37,084	40,797
<b>Balance at 26 September 2021</b>	-	<b>9,517</b>	<b>(3,292)</b>	<b>1,940</b>	<b>116,892</b>	<b>125,057</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	25,129	25,129
Other comprehensive profit	-	-	(295)	27,550	-	27,255
<b>Total comprehensive income for the period</b>	-	-	(295)	27,550	25,129	52,384
Other movements	-	1,330	-	-	-	1,330
<b>Balance at 25 September 2022</b>	-	<b>10,847</b>	<b>(3,587)</b>	<b>29,490</b>	<b>142,021</b>	<b>178,771</b>

The notes on pages 24 to 50 form part of these financial statements.

## Notes to the financial statements (forming part of the financial statements)

### 1 Significant accounting policies

Poundland Limited (the "Company") is a private company limited by shares incorporated and domiciled in the United Kingdom and is registered in England and Wales. The registered address for Poundland Limited is Midland Road, Walsall, United Kingdom WS1 3TX.

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

The financial statements are presented in Sterling, which is the functional currency of the company. The financial statements are rounded to the nearest thousand.

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is included within the consolidated financial statements of Pepco Group N.V. which are prepared under EU-IFRS and are publicly available. The Company complies with the accounting policies defined in note 1 to the Group consolidated financial statements except as disclosed below.

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

- IAS 7 requirement to produce a Cash Flow Statement and related notes;
- IAS 1 requirement for full comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- IAS 24 requirement in respect of disclosing remuneration of key management personnel;
- IAS 24 requirement in respect of disclosures of transactions with group companies; and
- IAS 8 requirement to disclose information about the effects of new but not yet effective IFRSs.

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

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments Disclosures*.

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

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

#### *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 and acquisitions.

## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### 1.2 Going concern

At the time of signing the financial statements, the Directors have a reasonable expectation that the Company has sufficient resources to continue in operation for the foreseeable future, which is not less than twelve months from signing these financial statements. In doing so the Directors have considered reasonable downside sensitivities including assessing the previous impacts of the Covid-19 global pandemic, Russian invasion of Ukraine and the cost of living and inflation crisis on the going concern position and the availability of further liquidity from the Group. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Operating as a discount retailer with a clear strategic focus that has illustrated its financial strength and robustness throughout the Covid-19 pandemic, the Company is well placed to withstand, and potentially benefit from, the volatility within the economic environment.

The Company prepares detailed cash forecasts on a regular basis to anticipate and manage future funding requirements from intercompany facilities, extending for a period of at least 12 months from the date of approval of these financial statements. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility. The directors have obtained a letter of support from its parent undertaking, Pepco Group Limited, and have considered the ability of the PGL Group to be able to give this letter of support for a period of 12 months from the date of these accounts. It has available to it intercompany funding to support its requirements.

Consequently, the directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future, which is not less than twelve months from the date of signing of these financial statements. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

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

#### 1.3 Foreign currency

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

#### 1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

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

##### *Trade and other payables*

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

##### *Interest-bearing borrowings*

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

#### 1.5 Derivative financial instruments and hedging

##### *Derivative financial instruments*

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

**Notes to the financial statements (continued)**

**1 Significant accounting policies (continued)**

**1.5 Derivative financial instruments and hedging (continued)**

*Derivative financial instruments (continued)*

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.

At inception the Company documents the economic relationship between hedging instruments and hedged items, including whether the changes in the cashflows of the hedging instruments are expected to offset the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedged transactions.

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

Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory) the deferred hedging gains and losses are included in the initial cost of the asset. The deferred amounts are ultimately recognised in the income statement since the hedged item affects the income statement (cost of sales).

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

When forward contracts are used to hedge forecast transactions the Company generally designates only the changes in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contract are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract are recognised within the income statement.

**1.6 Impairment excluding inventories and deferred tax assets**

*Financial assets (including receivables)*

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. These losses are calculated with reference to the difference between contractual cash flows and cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

Trade receivables are based on the simplified approach in IFRS 9. Intercompany receivables are based on the general approach.

*Non-financial assets*

The carrying amounts of the Company'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, or ("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 profit or loss. 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 unit (group of units) on a pro rata basis.

## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### 1.6 Impairment excluding inventories and deferred tax assets (continued)

##### *Non-financial assets (continued)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years 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.

#### 1.7 Investments

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

#### 1.8 Property, plant, and equipment

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

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

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

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

Property plant and equipment includes Right Of Use assets. (See note 1.15 for depreciation policy)

#### 1.9 Intangible assets and 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.

Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by reference to an arbitrary assumed period for amortisation.

##### *Favourable leases*

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

##### *Other intangible assets*

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

##### *Amortisation*

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

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

Favourable leases	over the remaining term of the lease
Trademarks	5 years
Software	3 – 7 years

#### 1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis. Inventory cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### 1.11 Employee benefits

##### *Defined contribution plans*

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

##### *Share-based payment transactions*

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

#### 1.12 Provisions

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

#### 1.13 Revenue

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the product is sold to the customer.

It is the Company's policy to sell its products to customers with a right to return. The Company uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Company will be entitled. However, the level of returns are not considered material therefore no right of return asset or refund liability is recognised. On the basis of materiality revenue is therefore recognised at the full value of the consideration received. This is assessed on an on-going basis.

The Company does not operate any loyalty programmes or offer gift cards.

#### 1.14 Other operating income

Other operating income relates to management charges received from subsidiary undertakings. The income is recognised on an accruals basis.

#### 1.15 Lease accounting

IFRS 16 requires entities to apply a single lease accounting model, with lessees recognising right-of-use assets and lease liabilities on the balance sheet for all applicable leases except for certain short-term and low-value leases.

The right-of-use assets are measured at transition at an amount equal to the lease liability, adjusted for prepaid and accrued lease payments recognised in the Company balance sheet immediately before the date of initial application. The right-of-use assets are subsequently measured at the transition amount less any accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the expected useful life, which is taken as being equal to the lease term.

Lease liabilities are measured at transition at the present value of the remaining lease payments discounted at the incremental borrowing rate of each lease as at the date of initial application. Lease liabilities are subsequently measured at amortised cost, increased for interest charges and reduced for lease payments made.

The Company additionally accounts for "holdover" leases for which the initial contract term has expired but the contract terms have been maintained under the Landlord and Tenant Act 1954 which protects the ongoing continuation of the lease. Under this Act, even though the fixed term of the lease has ended, tenants of business premises have: the right to remain in occupation at the end of the contractual term of a lease; and the right to apply to court for the grant of a new lease.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less), leases of low-value assets (such as personal computers, small items of office furniture and telephones) and variable lease agreements. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### 1.15 Lease accounting (continued)

##### *Lease liability – initial recognition*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The Company recognise discount rate should be the rate implicit in the lease or the incremental borrowing rate if the rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Company is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet, split between current and non-current liabilities.

##### *Lease liability – subsequent measurement*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

##### *Lease liability – remeasurement*

The lease liability is remeasured where:

- there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments' change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

##### *Right-of-use asset – initial recognition*

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated amortisation and impairment losses.

Where the Company has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

##### *Right-of-use asset – subsequent measurement*

Right-of-use assets are amortised over the shorter of the lease term and useful life of the underlying asset.

## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### 1.16 Taxation

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

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

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

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

#### 1.17 Supplier income

##### *Rebate income*

Rebate income consists of income generated from volume related rebate agreements and other supplier funding received on an ad hoc basis for instore sales activity.

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

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

The income received is recognised as a deduction from cost of sales.

##### *Promotional funding*

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

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

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

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



## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### 1.18 Cash flow reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges where the contract has not yet expired. The reserve is stated net of the associated tax. The effective portion is recycled to the income statement upon expiry of the contract or when the hedged future cashflows affect profit or loss.

#### 1.19 Translation reserve

The translation reserve represents the cumulative translation differences for foreign operations.

#### 1.20 Non-underlying items

Management exercises judgement in determining the adjustments to apply to IFRS measurements. Management believes these measures provide additional useful information to illustrate the underlying trends, performance and position of the Company. Non-underlying adjustments constitute material, exceptional, unusual and other items. In determining whether events or transactions are treated as non-underlying items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Examples of charges or credits meeting the above definition and which have been presented as non-underlying items in the current and/or prior years include:

- Business restructuring programmes.
- Cost relating to implementation of Software-as-a-Service IT solutions.

#### 1.21 Financial income and expenses

Financial expenses comprise interest payable and the ineffective portion of change 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 are recognised in the income statement as they accrue, using the effective interest method.

#### 1.22 Critical accounting estimates and judgements

The preparation of these financial statements requires the exercise of judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period impacted. The Company makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The directors continually evaluate the estimates, assumptions and judgements based on available information and experience. The directors do not consider there to be any critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

##### *Key sources of estimation uncertainty*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

##### **Impairment of intangible assets**

The Company assesses whether there are any indicators of impairment as at the reporting date for all intangible assets. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The key source of estimation uncertainty is the growth rates applied. See Note 12 for details.

## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### Impairment of intangible assets (continued)

##### *Key source of judgements*

##### **SaaS Arrangements**

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation as well as the SaaS access over the contract term, then the configuration and customisation costs are expensed over the contract term only if the services provided are not distinct and are otherwise expensed upfront as the software is configured or customised.

Some of the costs incurred relate to the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate. (See section 1.9 for further details)

##### **1.23 New standards and amendments**

A number of new and revised standards, including the following, are effective for annual periods beginning on or after 1 January 2021:

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions beyond 30 June 2021

Adoption of these standards has not had an impact on the Company's financial statements.

The following standards and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 October 2022 or later periods but which the Company has not early adopted:

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture – Annual Improvements to IFRS Standards 2018–2020 (effective 1 January 2022)
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use (effective 1 January 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)
- IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure Initiative: Accounting Policies (effective 1 January 2023)
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective 1 January 2023)
- Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants, Classification of liabilities as current or non-current (effective 1 January 2024)

## Notes to the financial statements (continued)

### 1 Significant accounting policies (continued)

#### 1.24 New standards and amendments (continued)

- Amendments to IAS 1 and IFRS Practice Statement 2, 'Disclosure of Accounting Policies' (effective 1 January 2023)
- Amendments to IAS 12, 'Deferred Tax Related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

#### 1.25 Retained earnings reserve

The profit and loss account represents the cumulative profits and losses of the Company, less the payment of dividends.

#### 1.26 Government grants

Grants are accounted under the accruals model as permitted by FRS 101. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

### 2 Revenue

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
United Kingdom	1,402,512	1,352,243
Republic of Ireland	179,254	188,302
Isle of Man	4,334	4,149
	<u>1,586,100</u>	<u>1,544,694</u>

Revenue stated above relates solely to the sale of goods.

### 3 Profit for the period

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
<i>Operating profit for the period has been arrived at after charging/(crediting):</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	31,008	28,091
Right of Use Assets (note 24)	75,415	88,406
Amortisation of other intangibles	2,005	2,918
Cost of inventories recognised as an expense	951,461	910,573
Write downs of inventories recognised as an expense	36,076	43,086
Gain on foreign exchange	(10,818)	(10,126)
	<u>1,586,100</u>	<u>1,544,694</u>

## Notes to the financial statements (continued)

### 3 Profit for period (continued)

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
<i>Auditor's remuneration</i>		
Fees payable to the Company's auditor for the audit of the Company's annual financial Statements	517	505

No non-audit services have been performed by the company's auditor in either the current or prior period.

### 4 Non-underlying items

Non-underlying are exceptional items which are incremental to normal operations and are separately disclosed by virtue of their nature or size to enable a better understanding of the Company's underlying financial performance. In determining whether events or transactions are treated as non-underlying items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Impact of implementation of IFRIC interpretation on SaaS arrangements	8,121	4,120
Restructuring, strategic change and other costs	1,683	1,576
	<u>9,804</u>	<u>5,696</u>
Tax impacts of implementation of IFRIC interpretation on SaaS arrangements	-	1,525
	<u>9,804</u>	<u>4,171</u>

Impact of implementation of IFRIC interpretation on SaaS arrangements: As a result of this change in accounting policy and because the costs relate to a material and unusual generational change ERP programme, these costs are being recognised as non-underlying.

Restructuring, strategic change and other costs: The £1.68m relates primarily to costs associated with the head office restructure and with the Pepco Plus programme.

### 5 Finance income

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Bank interest receivable	-	2
Other interest receivable	1,372	201
Unrealised foreign currency gains on borrowings	-	292
	<u>1,372</u>	<u>495</u>

## Notes to the financial statements (continued)

### 6 Finance expense

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
On amounts owed to group undertakings	1,981	2,496
Bank interest payable	31	46
Ineffective portion of changes in fair value of cash flow hedges	1,524	1,165
Interest on lease liabilities	19,561	17,405
	<u>23,097</u>	<u>21,112</u>

### 7 Dividends

The directors do not propose a final dividend. In the prior period no dividends were paid.

### 8 Staff numbers and costs

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

	Number of employees	
	52 weeks ended 25 September 2022	52 weeks ended 26 September 2021
Administration	538	483
Selling and distribution	15,282	16,494
	<u>15,820</u>	<u>16,977</u>

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Wages and salaries	251,551	249,614
Social security costs	17,004	15,788
Other pension costs (note 26)	3,881	5,764
	<u>272,436</u>	<u>271,166</u>

## Notes to the financial statements (continued)

### 9 Remuneration of directors

#### Remuneration

The remuneration of the directors was as follows:

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Emoluments	4,896	2,069
Compensation for loss of office		237
Company contribution to defined contribution pension scheme	14	37
	<u>4,910</u>	<u>2,343</u>

2 directors (52 weeks ended 26 September 2021: 5) were members of the defined contribution pension schemes.

#### Highest paid director

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

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Emoluments	1,887	768
Company contribution to defined contribution pension scheme	-	3
	<u>1,887</u>	<u>771</u>

No directors exercised share options in the current year or prior year for both highest paid and directors in total.

## Notes to the financial statements (continued)

### 10 Taxation

#### *Analysis of charge/(credit) for the period*

	52 weeks ended 25 September 2022		52 weeks ended 26 September 2021	
	£000	£000	£000	£000
<i>Current tax</i>				
Current tax on profit for the period	3,707		5,767	
Adjustments in respect of prior periods	849		(133)	
	<hr/>		<hr/>	
Total current tax charge		4,556		5,634
<i>Deferred tax</i>				
Origination and reversal of timing differences	2,707		(301)	
Effect of change in tax rate	-		(10,614)	
Adjustment in respect of prior periods	1,528		1,675	
Prior period restatement	-		-	
	<hr/>		<hr/>	
Total deferred tax charge/(credit)		4,235		(9,240)
		<hr/>		<hr/>
Total charge/(credit) for the period		8,791		(3,606)
		<hr/> <hr/>		<hr/> <hr/>

#### *Factors affecting the tax charge/(credit) for the period*

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Profit before tax	33,920	33,478
	<hr/>	<hr/>
Current tax at 19% (52 weeks ended 26 September 2021: 19%)	6,445	6,361
<i>Effects of:</i>		
Expenses not deductible for tax purposes	880	233
Unrecognised temporary differences	(428)	1,211
Adjustments to tax charge in respect of previous period	2,375	1,540
Overseas rate adjustment	(1,202)	(1,691)
Change in tax rate	721	(11,260)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	8,791	(3,606)
	<hr/> <hr/>	<hr/> <hr/>

#### *Factors that may affect future current and total tax charges*

The corporation tax rate for the period ended 25 September 2022 was 19%. The Corporation Tax rate of 19% was enacted with effect from 1 April 2017 and the Finance Act 2016 legislated the UK Corporation Tax rate to decrease to 17% from 1 April 2020. However, on the 17 March 2020, using the Provisional Collection of Taxes Act 1968, the UK Government cancelled the proposed drop-in Corporation Tax rate to 17%. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future UK current tax charge accordingly. The deferred tax asset relating to the UK at 30 September 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

**Notes to the financial statements (continued)**

**11 Property, plant and equipment**

	<b>Short leasehold property and improvements £000</b>	<b>Fixtures and equipment £000</b>	<b>Total £000</b>
<i>Cost</i>			
At beginning of period	569,352	219,849	789,201
Additions	93,458	31,617	125,075
Disposals	(53,426)	(12,037)	(65,463)
At end of period	<u>609,384</u>	<u>239,429</u>	<u>848,813</u>
<i>Depreciation</i>			
At beginning of period	235,333	182,536	417,869
Charge for the period - Owned	12,788	18,220	31,008
Charge for the period - Right of Use Assets (note 24)	68,322	7,093	75,415
On disposal	(53,426)	(12,037)	(65,463)
At end of period	<u>263,017</u>	<u>195,812</u>	<u>458,829</u>
<i>Net book value</i>			
At 25 September 2022	<u>346,367</u>	<u>43,617</u>	<u>389,984</u>
At 26 September 2021	<u>334,019</u>	<u>37,312</u>	<u>371,331</u>

Assets included above which relate to right-of-use-assets are shown in note 24.



## Notes to the financial statements (continued)

### 12 Intangible assets

	Goodwill	Favourable leases	Trademarks	Software	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At beginning of period	91,284	1,112	123	25,019	117,538
Additions	-	-	-	1,601	1,601
Disposals	-	-	-	(87)	(87)
At end of period	91,284	1,112	123	26,533	119,052
<b>Amortisation</b>					
At beginning of period	-	763	123	15,484	16,370
Amortisation for the period	-	74	-	1,931	2,005
Disposals	-	-	-	(87)	(87)
At end of period	-	837	123	17,328	18,288
<b>Net book value</b>					
At 25 September 2022	91,284	275	-	9,205	100,764
At 26 September 2021	91,284	349	-	9,534	101,167

Following Poundland Group plc's acquisition of the entire share capital of 99p Stores on 28 September 2015, the PGL Group commenced a rebranding programme in October 2015. This consisted of a transfer of the trade and assets from 99p Stores to the Company. The total programme entailed rebranding 236 stores to the Poundland fascia. The trade and assets were transferred at fair value, and consideration was paid, again at fair value. Goodwill arising on the total transaction was £91.3 million.

#### Impairment

An impairment test is a comparison of the carrying value of the assets of a business or CGU to their recoverable amount. The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use. The recoverable amount has been determined based on value in use. Where the recoverable amount is less than the carrying value, an impairment results. Goodwill acquired in a business combination is allocated to groups of CGUs according to the level at which the directors monitor that goodwill. In this instance the goodwill arising in the Company has been assessed as part of the Poundland Stores CGU. During the period, all goodwill was tested for impairment, with no impairment charge resulting (2021: No impairment).

In assessing the value in use, the five year business plan was used to provide cash flow projections to the period ended September 2025 and thereafter a terminal P&L for future years into perpetuity. The cash flow projections are subject to key assumptions in respect of discount rates and achievement of future revenue and EBITDA growth. The directors have reviewed and approved the assumptions inherent in the model as part of the annual business plan and budget process using historic experience and considering economic and business risks facing the Company. In assessing the Company's value in use a pre-tax discount rate of 9.2% (2021: 9.8%) was used.

In assessing future revenue growth of 1.1% CAGR was assumed for the first 5 years, in line with business plan assumptions and 1.1% for the terminal value. In addition to the projected sales growth modelled above, EBITDA % conversion of net sales to profit is projected to grow through business efficiency improvements from 4.5% in FY2021 to 6.1% of net sales by FY2025 and then to 6.1% in perpetuity.

#### ERP Implementation

The Company is in the process of implementing an ERP system which is expected improve shrinkage rates and also inventory management. Our strategic IT systems are centred on developing and rolling out Oracle as the Company's core Enterprise Resource Planning (ERP) with investment across HR systems including labour demand planning and stock optimisation tools. These represent a material set of programmes that will both transform how the businesses operate and enable significant scale.

## Notes to the financial statements (continued)

### 12 Intangible assets (continued)

In the prior year we delivered the first phase of the ERP programme with the finance module going live in the July. In 2022, we continued development on stock, the second UK phase, alongside planning and design for future phases across CEE.

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

	52 weeks ended 25 September 2022 £000	52 weeks ended 26 September 2021 £000
Distribution costs	74	74
Administrative expenses	1,931	2,844
	<u>2,005</u>	<u>2,918</u>

### 13 Investments

	25 September 2022 £000	26 September 2021 £000
Shares in subsidiary undertakings, at cost	5,185	171
Additions	-	5,014
	<u>5,185</u>	<u>5,185</u>

In February 2022, Poundland Limited purchased 100% of the issued share capital of Online Poundshop Limited for a consideration of £1.

The Company's subsidiary undertakings at the period-end which are directly held are:

	Principal activity	Country of incorporation	Proportion of ordinary shares held %
Pepkor UK Retail Limited	Value retailer	England	100
Pepkor Europe Limited	Value retailer	England	100
Poundland Elgin Limited	Property	England	100
Viewtone Trading Group Limited	Value retailer	England	100
Online Poundshop Limited	Online value retailer	England	100
Dealz Retailing Ireland Limited	Dormant	Republic of Ireland	100

All subsidiaries incorporated in the United Kingdom are registered at CSC Midland Road, Walsall, United Kingdom, England, WS1 3TX.

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

## Notes to the financial statements (continued)

### 14 Inventories

	25 September 2022 £000	26 September 2021 £000
Goods purchased for resale	158,191	170,561
Goods in transit	56,897	20,980
	<u>215,088</u>	<u>191,541</u>

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

### 15 Trade and other receivables

	25 September 2022 £000	26 September 2021 £000
Trade receivables	1,450	632
Amounts owed by Group undertakings	72,155	56,471
Prepayments and accrued income	57,678	28,931
Other debtors	296	910
	<u>131,579</u>	<u>86,944</u>

Amounts owed by group undertakings which are interest bearing total £nil (2021: £nil). The remaining balance is non-interest bearing. All amounts owed by group undertakings are repayable on demand.

The ageing of trade receivables at the balance sheet date was:

	Gross 25 September 2022 £000	Impairment 25 September 2022 £000	Gross 26 September 2021 £000	Impairment 26 September 2021 £000
Not past due	279	-	38	-
Past due 0-30 days	551	-	360	-
Past due 31-120 days	566	-	563	(408)
More than 120 days	154	(100)	4,005	(3,926)
	<u>1,550</u>	<u>(100)</u>	<u>4,966</u>	<u>(4,334)</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	25 September 2022 £000	26 September 2021 £000
Balance at beginning of the year	(4,334)	(4,672)
Impairment loss released	4,234	338
	<u>(100)</u>	<u>(4,334)</u>

There has been no allowance for impairment in respect of amounts owed by group undertakings at 25 September 2022 or 26 September 2021. The Expected Credit Loss (ECL) of trade receivables is equal to the allowance for impairment noted above as trade receivables are considered low risk as they mainly relate to supplier rebates and intercompany balances.

## Notes to the financial statements (continued)

### 15 Trade and other receivables (continued)

Analysis of the accrued income debtor is as follows:

	25 September 2022 £000	26 September 2021 £000
Brought forward balance	19,242	15,410
Revenue recognised in the current period that was included in the opening contract liability	(19,242)	(15,410)
Supplier rebates not yet billed	22,979	19,242
	<hr/>	<hr/>
Carried forward balance	<u>22,979</u>	<u>19,242</u>

### 16 Trade and other payables

	25 September 2022 £000	26 September 2021 £000
Trade payables	131,272	86,265
Other taxation and social security	17,257	35,748
Amounts owed to Group undertakings	64,078	32,412
Other payables	5,361	4,774
Accruals	107,887	116,181
	<hr/>	<hr/>
	<u>325,855</u>	<u>275,380</u>

As part of the banking arrangements, Poundland Limited is a guarantor of a £12.5m group loan with the Lloyds bank (as security agent). This is a fixed and floating charge on all the property or undertaking of the company. The intermediate Group to which the company belongs, represented by Pepco Group N.V, PEU (FIN) Limited and PEU (FIN) Limited refinanced as part of the Pepco Group N.V's IPO process. The assets of the company have been acceded as a guarantor to this refinancing under the Senior Financing Agreement.

### 17 Non-current liabilities

	25 September 2022 £000	26 September 2021 £000
Accruals and deferred income	11,270	15,437
	<hr/>	<hr/>
	<u>11,270</u>	<u>15,437</u>

## Notes to the financial Statements (continued)

### 18 Financial liabilities

The table below summarises the maturity profile of the Company's finance liabilities based on contractual undiscounted payments:

52 weeks ended 25 September 2022	Less than 12 months	1 to 5 years	> 5 years	Total
	£000	£000	£000	£000
Interest-bearing loans	3,668	107,385	-	111,053
Lease liabilities	75,189	122,306	124,977	322,472
Trade and other payables	136,632	-	-	136,632
	<u>215,489</u>	<u>229,691</u>	<u>124,977</u>	<u>570,157</u>

  

52 weeks ended 26 September 2021	Less than 12 months	1 to 5 years	> 5 years	Total
	£000	£000	£000	£000
Interest-bearing loans	1,634	98,437	-	100,071
Lease liabilities	87,688	69,351	193,893	350,932
Trade and other payables	91,039	-	-	91,039
	<u>180,361</u>	<u>167,788</u>	<u>193,893</u>	<u>542,042</u>

Loans from parent undertakings have a fixed rate of interest ranging between 1.9% - 3.3%.

### 19 Deferred tax

Full provision without discounting has been made under the liability method for taxation deferred by accelerated depreciation and other timing differences. The amounts involved are as follows:

	25 September 2022 £000
Deferred tax asset at beginning of period	47,010
Recognised in the income statement	(4,235)
Recognised in other comprehensive income	(7,551)
<b>Deferred tax asset at end of period</b>	<b>35,224</b>

	25 September 2022 £000	26 September 2021 £000
Property, plant and equipment – Accelerated capital allowances	22,277	25,632
Other financial assets	1,737	(1,449)
Trade and other payables	935	1,504
Other financial liabilities	(7,820)	3,063
Other timing differences	347	512
Tax losses	17,748	17,748
<b>Deferred tax asset</b>	<b>35,224</b>	<b>47,010</b>

## Notes to the financial statements (continued)

### 19 Deferred tax (continued)

The deferred tax asset is available for offset against future taxable profits, which are expected to be sufficient to recover the asset's value.

	26 September 2021	Recognised in the income statement	Recognised in equity	25 September 2022
	£000	£000	£000	£000
Property, plant, and equipment – Accelerated capital allowances	25,632	(3,355)	-	22,277
Other financial assets	(1,449)	3,186	-	1,737
Trade and other payables	1,504	(569)	-	935
Other financial liabilities	3,063	(3,332)	(7,551)	(7,820)
Other timing differences	512	(165)	-	347
Tax losses	17,748	-	-	17,748
	<u>47,010</u>	<u>(4,235)</u>	<u>(7,551)</u>	<u>35,224</u>

### 20 Derivative financial instruments

	25 September 2022	26 September 2021
	£000	£000
Financial assets measured at fair value:		
Foreign exchange forward contracts	47,764	7,625
Total derivative financial assets	<u>47,764</u>	<u>7,625</u>
Financial liabilities measured at fair value:		
Foreign exchange forward contracts	9,710	4,688
Total derivative financial liabilities	<u>9,710</u>	<u>4,688</u>

	25 September 2022
	£000
Derivative financial assets/(liabilities) at beginning of period	2,937
Recognised in the income statement	7,567
Recognised in other comprehensive income	27,550
<b>Derivative financial assets/(liabilities) at end of period</b>	<u><u>38,054</u></u>

## Notes to the financial statements (continued)

### 21 Provisions

	25 September 2022 £000	26 September 2021 £000
At beginning of period	17,432	16,682
Provisions made during the period	2,343	2,724
Provisions utilised during the period	(813)	(1,974)
	<u>18,962</u>	<u>17,432</u>
Non-current	13,988	14,070
Current	4,974	3,362
	<u>18,962</u>	<u>17,432</u>

The majority of provisions is related to property dilapidations. Provision is made for the exit costs of properties no longer occupied by the Company. The average remaining lease term for these properties is 3.1 years (2021: 3.1 years).

### 22 Share capital

	25 September 2022 £000	26 September 2021 £000
<i>Authorised, allotted, called up and fully paid:</i>		
100 (2021: 100) ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

Each ordinary share carries the right to vote at general meetings. Share do not have the right to fixed income.

£9.5m of the capital contribution reserve arose in August 2014 when the Company was released from amounts owed to various group companies, all of which were part of the group headed by Poundland Group Limited (formerly Poundland Group plc). An additional £1.3m arose in FY22 relating to VCP (note 23).

### 23 Share based payments

The Company benefits from share award plans. These originally granted its employees options over shares in the previous ultimate parent company, Poundland Group Plc. These schemes were equity settled by Poundland Group Plc. Following the acquisition by the group headed by Steinhoff International, N.V. in September 2016, these schemes were amended as detailed below. Additionally, new schemes were launched in the period.

#### *The Performance Share Plan (PSP)*

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

Under the scheme rules the awards would vest on change of control in September 2016, however the performance conditions were not met. As part of its offer for the Poundland Group, Steinhoff agreed to exchange the options held by colleagues under PSP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

This scheme came to an end in the previous financial period with no cash payment made. The cumulative share-based payment charged was therefore reversed in the previous financial period.

## Notes to the financial statements (continued)

### 23 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 were able to grant to eligible employees' options to acquire Ordinary Shares in Poundland Group Plc at an exercise price which was not less than the market value of an Ordinary Share in Poundland Group Plc on the date of grant.

All employees of the Company were eligible to participate in the CSOP at the discretion of the directors.

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

A CSOP option would normally only be exercisable from the third anniversary of the date of grant and when all conditions applying to it had been satisfied. No dividends are paid on shares awarded. Under the scheme rules the awards were due to vest on change of control in September 2016. The option price was above the market value at the date of acquisition. Subsequently, the scheme was amended by Steinhoff, who agreed to exchange the options held by colleagues under CSOP plans for an equivalent number of Steinhoff shares, calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1:€1.1735 (the prevailing rate as at the date of acquisition).

#### *Steinhoff awards*

The Steinhoff share awards were adopted by the Directors on 15 December 2016. Members of the executive management of the Group were eligible to participate in the scheme. The first issue of awards was made on 1 March 2016. All awards were granted for nil consideration. Further awards were made on 1 March 2017. No awards have been made in the 52 week period to 26 September 2021 nor the 52 week period to 25 September 2022.

*For the 52 weeks ended 25 September 2022*

	Steinhoff Awards		PSP		CSOP	
	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)	Number of options
	€	000	€	000	€	000
Outstanding at 26 September 2021	3.96	634	-	-	-	-
Cancelled during the period	-	-	-	-	-	-
Outstanding at 25 September 2022	<u>3.96</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equivalent replacement Steinhoff shares	-	-	-	-	-	-

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 Steinhoff Awards, PSP and RSP awards are valued at 100% of the share price at the date of grant.

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

The risk free rate is equivalent to the prevailing UK Gilts rate at grant date, which is commensurate with the expected term. CSOP awards are granted under a service condition. This is not taken into account in the grant date fair value measurement of the services received. The share based payments expense has been calculated using recent employee turnover levels.



## Notes to the financial statements (continued)

### 23 Share based payments (continued)

#### *Save As You Earn (SAYE)*

Poundland Group plc operated a savings related share options scheme which was open to all UK and Republic of Ireland employees with more than three months' continuous service. This is an approved HMRC Scheme. Under the SAYE scheme, participants remaining in the Group's employment at the end of the three-year savings period were entitled to use their savings to purchase shares in the Group at a stated exercise price. Under restricted circumstances, employees leaving for certain reasons were able to use their savings to purchase shares within six months of their leaving. Under the scheme rules, the awards were due to vest on change of control in September 2016. The option price was above the market value at the date of acquisition. The scheme was amended following acquisition, with options transferring to equivalent numbers of Steinhoff shares calculated on the basis of its offer price of 227p per Poundland share and at an exchange rate of £1: €1.1735 (the prevailing rate as at the date of acquisition).

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

This scheme came to an end in the previous financial period with no cash payment made. The cumulative share-based payment charged was therefore reversed.

#### *Aggregate share based payment expense*

The aggregate share based payments expense recognised in the period for the several share based payment arrangements described above is as follows:

	25 September 2022 £000	26 September 2021 £000
Equity settled share based payment (income)/expense	-	-

#### *Value Creation Plan*

The Value Creation Plan (VCP) was adopted on 3 March 2020 (the "Grant Date"). The scheme aligns the remuneration of Executive Directors with the value generated for shareholders. The VCP scheme was originally granted by Pepco Group Limited, which was acquired by Pepco Group N.V on the 13 of May 2021. On acquisition the VCP plan was novated up from Pepco Group Limited to Pepco Group N.V. The charge for Poundland Limited in the year ended 25 September 2022 was £1.7m in which £1.3m is included within the capital contribution reserve.

Under the VCP, participants are granted a conditional award giving the potential right to earn nil-cost options based on the absolute total shareholder return generated above a hurdle (the "Threshold Total Shareholder Return") at the end of each plan year (the "Measurement Date") over a five-year VCP period.

At each Measurement Date, up to 6.9% of the value created above the hurdle will be "banked" in the form of share awards. The initial price for the VCP was the average valuation for the Group available on the grant date. Participants will receive the right at the end of each year of the performance period to share awards with a value representing the level of the Company's total shareholder return above the Threshold Total Shareholder Return at the relevant Measurement Date.

The Threshold Total Shareholder Return or hurdle which has to be exceeded before share awards can be earned by participants is the higher of:

- the highest previous measurement of Total Shareholder Return; and
- the initial price compounded by 10% p.a.

If the value created at the end of a given plan year does not exceed the Threshold Total Shareholder Return, nothing will accrue in that year under the VCP.

## Notes to the financial statements (continued)

### 23 Share based payments (continued)

#### *Vesting conditions*

The vesting schedule provides that 50% of the cumulative number of share awards will vest following the third Measurement Date and 50% of the cumulative balance following the fourth Measurement Date, with 100% of the cumulative number of share awards vesting following the fifth Measurement Date. At each vesting date, vesting of awards is subject to:

- a. a minimum TSR performance level of 10% CAGR being maintained:
  - where the TSR underpin has been achieved at the third Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse;
  - where the TSR underpin has been achieved at the fourth Measurement Date, 50% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point but they will not lapse; and
  - where the TSR underpin has been achieved at the fifth Measurement Date, 100% of the cumulative balance will vest. If the underpin has not been achieved no share awards will vest at this point and the remaining cumulative balance will lapse;
- b. any shares vesting cannot be sold prior to the fifth anniversary of the date of the implementation of the VCP; and
- c. an annual cap on vesting of €20.0m for the CEO and a proportionate limit for other participants:
  - in the event that in any year vesting as described above would exceed the annual cap, any share awards above the cap will be rolled forward and allowed to vest in subsequent years provided the cap is not exceeded in those years, until the VCP is fully paid out or after five years after the fifth Measurement Date when any unvested share awards will automatically vest. Rolled forward share awards will not be subject to further underpins, performance conditions or service conditions.

### 24 Obligations under leases: Right-of-use-assets

Analysis of assets held under leases:

	Buildings	Vehicles	Total
	£000	£000	£000
<i>Cost</i>			
At beginning of period	418,185	17,168	435,353
Additions	68,180	2,331	70,511
Disposals	(48,682)	(1,417)	(50,099)
	<hr/>	<hr/>	<hr/>
At end of period	437,683	18,082	455,765
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of period	156,530	10,172	166,702
Charge for the period	68,322	7,093	75,415
On disposal	(48,682)	(1,417)	(50,099)
	<hr/>	<hr/>	<hr/>
At end of period	176,170	15,848	192,018
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 25 September 2022	261,513	2,234	263,747
	<hr/>	<hr/>	<hr/>
At 26 September 2021	261,655	6,996	268,651
	<hr/>	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 24 Obligations under leases: Right-of-use-assets (continued)

	25 September 2022 £000	26 September 2021 £000
<b>Lease liabilities:</b>		
Current	75,189	87,688
Non-current	247,283	263,244
<b>Total</b>	<b>322,472</b>	<b>350,932</b>

Additions to right-of-use assets during the 2022 financial year were £70.5m.

Amounts recognised in the income statement:

	25 September 2022 £000	26 September 2021 £000
Interest expenses (included in finance cost)	19,561	17,178
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	9,656	19,160
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-	-

Total cash outflow for leases in the 2022 financial year were £117.0m. The Company leases various retail stores and vehicles under non-cancellable operating leases. The leases have varying terms, escalating clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From 30 September 2019, the Company has recognised right-of-use assets for these leases, except for short term and low-value leases. Some property leases contain variable payment terms that are linked to sales generated from a store. Variable payment terms percentages range from 1.5% to 7.5% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

### 25 Capital commitments

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

	25 September 2022 £000	26 September 2021 £000
Acquisition of property, plant and equipment and intangible assets	7,471	20,500

### 26 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £3,881,000 (52 weeks ended 26 September 2021: £5,764,000). Contributions amounting to £3,294,000 (26 September 2021: £864,000) were payable to the scheme at the period end and are included in accruals.

## Notes to the financial statements (continued)

### 27 Transactions with related parties

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

### 28 Ultimate parent company

The Company is a direct subsidiary undertaking of Peu (Tre) Limited and an indirect subsidiary of Pepco Group Limited which are both registered in England and Wales. Peu (Tre) Limited's registered address is 14th Floor Capital House, 25 Chapel Street, London, United Kingdom, NW1 5DH.

#### Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Steinhoff International Holdings N.V., incorporated in The Netherlands. The address of Steinhoff International Holdings N.V. is: Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch 7600, South Africa.

The parent of the smallest group is Pepco Group N.V., incorporated in Netherlands. The address of Pepco Group N.V. is: 14th Floor Capital House, 25 Chapel Street, London, United Kingdom, NW1 5DH.

### 29 Post balance sheet events

There have been no material events between the balance sheet date and the date of issue of these accounts.