

Focus D I Y (Finance) Plc

Directors' report and consolidated financial statements

29 April 2007

Company Registration No 04526040

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Focus D I Y (Finance) plc

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Focus D I Y (Finance) plc

Directors' report

The directors submit their Directors' report and the financial statements of Focus DIY (Finance) plc for the 26 week period ended 29 April 2007 (2006 52 weeks ended 29 October)

Principal activities

The principal activity of the Group is the retail operation of DIY and Gardening Superstores

Review of business and future developments

The results for the 26 week period ended 29 April 2007 and the comparative period of 52 weeks are shown on page 8

The DIY market showed an improving trend over the period following the sharp declines that began in 2005. The Group improved LFL sales by 2.76% and margins were maintained. Continued tight cost control, strategic product range optimisation and an effective marketing strategy enabled the Group to defend its market position throughout the period.

Results

The Group's loss for the period, after taxation, was £117.9m, which included goodwill amortisation and exceptional costs of £98.5m. The financial results are shown in the consolidated income statement on page 8.

Dividends

The directors do not recommend the payment of a dividend (2006 £nil)

Risks and uncertainties

Risks and uncertainties are inherent in all businesses and our Group is no exception. Risk management is seen as an important element of internal control and is used to mitigate the Group's exposure to such risks.

Commercial Risks

- Our performance depends on our continued ability to locate and lease good retail properties in favourable locations on good terms,
- We operate in a highly competitive industry. Some of our competitors are larger and are not constrained by our financial structure, and
- Adverse economic conditions in the United Kingdom may affect our results.

Processes to manage the impact on the business of each of the above risks are embedded in our operations. The directors and other senior management actively monitor these processes, and the actions which arise, to ensure risks are effectively managed.

Operational Risks

Health and safety, employers and public liability risks are monitored by way of regular updates to our Board.

Financial Risks

The Group manages financial and treasury risk through active working capital and debt management including regular communication with our finance providers. Monitoring of net debt, banking facilities, cash flow, covenants and currency exposure is undertaken at Board level on a monthly basis.

Focus D I Y (Finance) plc

Directors' report

Key performance indicators

Management uses a range of performance measures to monitor and manage the business. Certain of these are particularly important in the generation of shareholder value and are considered key performance indicators or KPIs. The KPIs used in the business are as follows:

- Like for Like store sales;
- Electronic Point of Sale Margin plus Other Margin Adjustments versus plan,
- EBITDA versus plan,
- Trading EBITDA versus plan, and
- Cash generated from operations versus plan

Directors

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

W E Archer	(resigned 26 July 2007)
G C Wilson	(resigned 26 July 2007)
S R Johnson	(resigned 26 July 2007)
D R Williams	(resigned 26 July 2007)

The following Directors were appointed after the balance sheet date:

W Grimsey	(appointed 26 July 2007)
WJ Hoskins	(appointed 26 July 2007)
R Bird	(appointed 12 November 2007)
S Thomas	(appointed 19 November 2007)
G West	(appointed 15 January 2008)
R Gladwin	(appointed 17 April 2008)

Employee involvement

In its employee recruitment practices the Group gives full consideration to job applications received from disabled persons and training is arranged where necessary. Where an employee becomes disabled whilst employed by the Group, arrangements are made, wherever possible, for re-training in order to perform a job identified as appropriate to the aptitudes and abilities of the individual concerned.

The Group recognises the benefit of keeping employees informed of the progress of the business by systematically providing them with information on matters that concern them as employees either through formal consultation or more informal means.

Involvement in the performance of the Group is encouraged by means of incentive schemes linked to the performance of the Group on a number of measures.

Political and charitable contributions

The Group made no political contributions during the period (2006 £nil).

Donations to UK charities amounted to £0.1m (2006 £0.1m). Donations to UK charities in the period include £0.1m to a number of disability and illness charities. Additionally employees of the Group participated in numerous fund raising activities.

Focus D I Y (Finance) plc

Directors' report

Subsequent events

In January 2007 the Group announced a strategic review of future options for the Group. The Group held discussions with a co-ordination committee of senior lenders and an ad-hoc committee of mezzanine note holders, as well as its shareholders, about the requirement to restructure its debt and equity. The strategic review included the potential sale of the business and had the full support of all the stakeholders.

As a result of the strategic review, FW No 4 Limited, the controlling parent company, and all of its subsidiaries were disposed of as a going concern. The acquirer, FLP2 Limited, a company affiliated with Cerberus European Investments LLC purchased FW No 4 Limited for £1. The acquiring Group also purchased the senior debt at par and made an offer of 40p per £1 nominal value for the mezzanine notes, which was accepted by 92.04% of the mezzanine note holders.

Post the sale, FLP2 Limited has a £100 million senior debt facility and a £60 million second lien facility, fully drawn. The senior debt, on which interest is payable in cash, is split into 2 tranches of £50 million with bullet repayment of the first tranche due after 6 years and the second after 7 years. The second lien is also a bullet repayment due after 8 years and carries PIK interest payable on maturity.

As part of the acquisition of FW No 4 Limited the Group's new management engaged Hilco UK Ltd to support the Group's repositioning and sale of 52 under performing stores. Pursuant to contracts exchanged on the 11 October 2007 a further 24 stores have been sold and a further 3 stores are expected to be sold within the next 12 months.

Audit information

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Group is to be proposed at the forthcoming Annual General Meeting.

By order of the board



W.J. Hoskins
Finance Director

Gawsworth House
Westmere Drive
Crewe
Cheshire
CW1 6XB

25th April 2008

Focus D I Y (Finance) plc

Directors' Responsibilities

Directors' responsibilities in the preparation of financial statements

The directors are responsible for preparing the Directors' Report and the Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and the performance of the Group, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable and prudent,
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Focus D I Y (Finance) plc

Independent Auditors' Report



KPMG Audit Plc

St James' Square

Manchester

M2 6DS

United Kingdom

Independent auditors' report to the members of Focus DIY (Finance) Plc

We have audited the Group and parent company financial statements ("the financial statements") of Focus DIY (Finance) plc for the period ended 29 April 2007 which comprise the Consolidated and Company Income Statement, the Consolidated and Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expenses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company accounts in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Focus D I Y (Finance) plc

Independent Auditors' Report

Independent auditors' report to the members of Focus DIY (Finance) Plc (Continued)

Basis of audit opinion

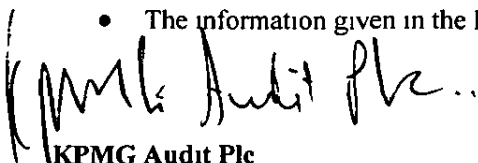
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the revised financial statements. It also includes an assessment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

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

Opinion

In our opinion

- The Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as of 29 April 2007 and of its loss for the period then ended,
- The parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 April 2007 and of its loss for the period then ended,
- The financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985
- The information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor

25th April 2008

Focus D I Y (Finance) plc

Consolidated income statement

For the period ended 29 April 2007

	Note	26 weeks ended 29 April 2007 Continuing operations			52 weeks ended 29 October 2006 Continuing operations		
		Before exceptional items £m	Goodwill and exceptional items £m	Total £m	Before exceptional items £m	Goodwill and exceptional items £m	Total £m
Revenue	1	343.8	-	343.8	701.9	-	701.9
Cost of sales	3	(256.8)	(1.5)	(258.3)	(516.0)	(7.2)	(523.2)
Gross profit		87.0	(1.5)	85.5	185.9	(7.2)	178.7
Selling and distribution costs		(75.6)	(4.9)	(80.5)	(146.7)	-	(146.7)
Administration costs	3	(14.0)	(92.1)	(106.1)	(23.7)	(64.5)	(88.2)
Other operating income	3	1.3	-	1.3	7.6	1.9	9.5
Loss from operations	1-3	(1.3)	(98.5)	(99.8)	23.1	(69.8)	(46.7)
Profit on disposal of non current investments				-			0.4
Finance income	4			1.1			91.2
Finance costs	5			(18.3)			(33.0)
(Loss)/Profit before taxation				(117.0)			11.9
Taxation	7			1.0			(36.6)
Loss for the financial period				(116.0)			(24.7)
Loss attributable to equity holders of the parent				(116.0)			(24.7)

Focus D I Y (Finance) plc

Consolidated statement of recognised income and expense

At 29 April 2007

	Note	2007 £m	2006 £m
Loss for the financial period		(116 0)	(24 7)
Actuarial gain/(loss) on retirement benefit obligations	22	1.0	(0 6)
Deferred tax on actuarial gain/(loss)		(0 3)	0 2
Total recognised income and expense for the period		(115.3)	(25 1)
Attributable to equity holders of the parent		(115.3)	(25 1)

Focus D I Y (Finance) plc

Consolidated balance sheet

At 29 April 2007

	Note	29 April 2007 £m	29 October 2006 £m
Assets			
Non-current assets			
Property, plant and equipment	10	69.7	78.1
Intangible assets	11	194.9	285.1
Deferred tax	21	9.5	10.2
Total non-current assets		274.1	373.4
Current assets			
Inventories	12	141.5	140.8
Trade and other receivables	13	541.5	542.7
Cash and cash equivalents	14	-	12.1
Total current assets		683.0	695.6
Total assets		957.1	1,069.0
Liabilities			
Current liabilities			
Trade and other payables	15	(174.0)	(173.3)
Short term borrowings	16	(19.4)	(11.1)
Provisions	20	(2.8)	(2.7)
Total current liabilities		(196.2)	(187.1)
Non-current liabilities			
Long term borrowings	17	(268.5)	(270.5)
Provisions	20	(5.5)	(7.2)
Retirement benefit obligations	22	(31.8)	(33.8)
Total non-current liabilities		(305.8)	(311.5)
Total liabilities		(502.0)	(498.6)
Net assets		455.1	570.4
Equity			
Share capital	23	456.9	456.9
Retained earnings	24	(1.8)	113.5
Total equity		455.1	570.4

These financial statements were approved by the Board of directors and authorised for issue on 25th April 2008 and were signed on its behalf by

W J Hoskins

W J Hoskins
Finance Director

Focus D I Y (Finance) plc

Consolidated cash flow statement

For the period ended 29 April 2007

		26 weeks ended 29 April 2007	52 weeks ended 29 October 2006
		£m	£m
Cash flows from operating activities			
Loss from operations		(99.8)	(46.7)
<i>Adjustments for</i>			
Depreciation/fixed asset impairment		12.1	14.4
Loss/(Profit) on disposal of property, plant and equipment		0.8	(1.0)
Impairment of goodwill		90.2	61.6
		<hr/>	<hr/>
Cash flows from operations before changes in working capital		3.3	28.3
<i>Changes in working capital</i>			
(Increase)/Decrease in inventories		(0.7)	2.2
Decrease in trade and other receivables		3.0	2.1
(Decrease)/Increase in trade and other payables		(0.1)	10.5
Decrease in provisions		(2.9)	(1.5)
		<hr/>	<hr/>
Cash generated from operations		2.6	41.6
Taxation		1.3	2.5
		<hr/>	<hr/>
Net cash generated from operating activities		3.9	44.1
Cash flows from investing activities			
Purchase of property, plant and equipment		(5.4)	(16.0)
Sale of property, plant and equipment		-	2.4
		<hr/>	<hr/>
Net cash used in investing activities		(5.4)	(13.6)
Cash flows from financing activities			
Finance lease rental payments		(0.7)	(1.6)
Repayment of borrowings	27	(10.7)	(15.3)
New borrowings	27	1.1	4.5
Interest paid		(13.1)	(29.4)
Interest received		0.1	0.3
Cash paid to entities under common control		-	(4.8)
Proceeds from disposal of non current investments		-	0.4
Loan issue costs		(0.1)	-
		<hr/>	<hr/>
Net cash used in financing activities		(23.4)	(45.9)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(24.9)	(15.4)
Cash and cash equivalents at start of period		12.1	27.5
		<hr/>	<hr/>
Cash and cash equivalents at end of period		(12.8)	12.1
		<hr/>	<hr/>

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

General information

Focus DIY (Finance) plc is a Company incorporated in England & Wales under the Companies Act 1985 and domiciled in the UK. The Registered Office address is given in note 31. The ultimate controlling party at 29 April 2007 was Focus DIY Group Limited and following the acquisition of the Group on 26 July 2007 the ultimate controlling party changed to FLP2 Limited.

The principal activity of the Group is the retail operation of DIY and Gardening Superstores.

Basis of accounting

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 45 to 52.

The financial statements have been prepared on the historical cost basis except that derivative financial instruments are stated at fair value.

The directors have considered the future profitability of the Group and its ability to continue as a going concern and have prepared profit and cash flow forecasts for the period up to 26 October 2008 and outline projections for the two years thereafter. Based on these projections and the continuing support of the major stakeholders, Cerberus European Investments LLC, the directors are satisfied that, for the foreseeable future the Group, of which this Company is part, will be able to meet its debts as they fall due and consequently they have prepared the financial statements on a going concern basis.

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

IFRS Adopted in Current Period

In these financial statements the following Adopted IFRS are effective for the first time.

IFRIC 6 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment' gives guidance on whether and how the liability for decommission of WE&EE should be recognised. IFRIC 6 is effective for periods beginning on or after 1 December 2005. The Group has adopted IFRIC 6 in these financial statements and a liability has been recognised. The impact of the adoption did not have a material impact on these financial statements.

Basis of consolidation

The consolidated financial statements incorporate those of the parent company, Focus DIY (Finance) plc, and all of its subsidiary undertakings for the period to 29 April 2007 and 29 October 2006.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

In preparing the consolidated financial statements, any intra-Group balances, unrealised gains and losses or income and expenses arising from intra-Group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

Subsidiary companies acquired during the period are consolidated using the purchase method. The results of subsidiary companies acquired are included in the consolidated income statement from the date that control is exchanged.

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 translated at foreign exchange rates ruling at the date the fair value was determined.

The presentational currency adopted by the Group is Sterling (£). The functional currencies of all of the companies in the Group is sterling (£).

Revenue recognition

Revenue comprises the fair value of the sale of goods and services to external customers, net of value added tax, rebates, discounts and returns. Revenue is recognised as follows:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue on goods purchased in stores is recognised when the goods are taken from the store. Revenue on goods to be delivered is recognised when the customer accepts delivery. The Group operates a variety of sales promotion schemes that give rise to goods being sold at a discount to the standard retail price. Revenue is adjusted to show sales net of all related discounts. A provision for estimated returns is made representing the profit on goods sold during the period which will be returned and refunded after the period end.

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Finance costs

Net finance costs comprise interest payable, amortisation of capitalised debt issue costs, finance charges on finance leases and the unwinding of discounts on discounted provisions. Interest payable is recognised in the income statement as it accrues, using the effective interest method.

Leasing

Where assets are financed by leasing agreements the lease is classified as a "finance lease" when substantially all the risks and rewards incidental to ownership are transferred. The amount capitalised is the fair value or, if lower, the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as finance lease obligations to the lessor.

Lease payments are apportioned between finance charges and reduction of lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

All other leases are "operating leases" and the annual rentals are charged to the income statement on a straight line basis over the lease term.

Incentives to enter into an operating lease are also spread on a straight line basis over the lease term.

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

Income tax

Taxation expense includes the amount of current income tax payable and the charge for the period in respect of deferred taxation

Income tax payable is based on an estimation of the amount due on the taxable profit for the period. Taxable profit is different from profit before tax as reported in the income statement because it excludes items of income or expenditure that are not taxable or deductible in the period as a result of either the nature of the item or that it is taxable or deductible in another period. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for on the basis of temporary differences arising from the differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all taxable temporary differences, except to the extent where it arises from the initial recognition of an asset or liability in a transaction that is not a business combination. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case it is dealt with within equity. It is calculated at the tax rates that are expected to apply to the period in which the asset is realised or the liability settled, using tax rates which have been enacted by the balance sheet date.

Intangible assets

Goodwill is carried at cost less accumulated impairment losses, is not amortised and is tested annually for impairment by assessing the recoverable amount of each cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised immediately in the income statement. Gains and losses on disposal of an entity include the carrying amount of the goodwill relating to the entity sold. All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

Property, plant & equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and provision for impairments.

Depreciation is provided on the cost less estimated residual value and is calculated on a straight line basis over the following estimated useful lives of the assets:

Freehold property	-	up to 50 years
Short leasehold property	-	over the life of the lease
Fixtures, fittings and equipment	-	3-10 years

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group has identified one cash generating unit, being the entire UK retail operation.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

Reversals of impairment (continued)

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

Inventory

Inventory is valued at the lower of cost and net realisable value. For finished goods and goods for resale, cost is taken as cost incurred to date, which includes an appropriate proportion of directly attributable overheads less an amount relating to purchase rebates. Net realisable value is determined as estimated selling price less all costs of completion.

Provision is made where necessary for obsolete, slow moving inventory where it is deemed that the costs incurred may not be recoverable.

Volume related rebates receivable from suppliers are deducted from the carrying value of stock. Rebate agreements with suppliers that cover more than one period are recognised in the financial statements in the period in which they are earned.

Classification of financial instruments

Financial instruments are classified as financial assets, financial liabilities or equity instruments.

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

- They include no contractual obligations upon the Group to deliver cash or other financial assets that are potentially unfavourable to the Group, and
- Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Finance payments associated with financial instruments that are classified as equity are dividends and are recorded directly in equity. Finance payments associated with financial liabilities are dealt with as part of finance costs.

Recognition and valuation of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

Trade receivables

Trade receivables do not carry interest and are stated at their amortised cost as reduced by allowances for impairment when there is objective evidence of impairment.

Recognition and valuation of equity instruments

Equity instruments are stated at par value. Premiums on issue are taken to a share premium reserve.

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

Ordinary share capital

Equity instruments are recorded initially at fair value For ordinary share capital, the par value is recognised in share capital and the premium in the share premium reserve

Recognition and valuation of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into

Borrowings and borrowing costs

Interest bearing bank overdrafts are recorded at the proceeds received using the effective interest method Finance charges are accounted for on an accruals basis to the income statement

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

Derivatives

The principle derivative instruments used by the Group are interest rate swaps and forward foreign currency contracts

Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value

Any gain or loss relating to the derivative instrument is recognised immediately in the income statement

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheets date, taking into account current interest rates and the current credit worthiness of the swap counterparties

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price

Trade payables

Trade payables are not interest bearing and are stated at cost

Provisions

Provisions are recognised when

- The Group has a present legal or constructive obligation as a result of past events,
- It is more likely than not that an outflow of resources will be required to settle the obligation, and
- The amount has been reliably estimated

Provisions are not recognised for future operating losses Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is certain

Provisions are made for onerous lease contracts for stores that have closed or where a decision to close has been announced

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Notes to the consolidated financial statements

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Retirement benefits

Defined contribution schemes

A defined contribution scheme is a pension plan under which the Group pays a fixed contribution to a scheme with an external provider. The main scheme operated by the Group is the Focus Money Purchase Plan. The amount charged to the income statement in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either other payables or other receivables in the balance sheet. The Group has no further payment obligations once the contributions have been paid.

Defined benefit schemes

The Group also operates two defined benefit schemes. No future benefits are accruing in these schemes and they are closed to new entrants. The assets of the schemes are held separately from those of the Group.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Non-current assets held for sale and discontinued operations

A non-current asset or a Group of assets containing a non-current asset (a disposal Group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal Groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement (including the comparative period) in a single line which comprises the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the remeasurement to fair value less costs to sell or on disposal of the assets/disposal Groups constituting discontinued operations.

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

IFRS not yet applied

The following adopted IFRS's were available for early adoption but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- The Group has chosen not to adopt early the amendments to IAS 1 'Presentations of Financial Statements' to discuss information regarding the Group's objectives, policies and processes for managing capital. The application of IAS1 in the current period would not have affected the balance sheets or income statement but would have resulted in significant changes to disclosures provided in respect of capital management.
- IFRS 7 "Financial Instruments Disclosure" is effective for accounting periods commencing on or after 1 January 2007. The application of IFRS 7 in the current period would not have affected the balance sheets or income statement but would have resulted in significant changes to disclosures provided in respect of financial instruments.
- IFRS 8 'Operating segments' was issued in November 2005 and is effective for periods beginning on or after 1 January 2009. As the changes are presentational only, the adoption will have no impact upon the results or net assets of the Group.

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

1 Revenue

All of the Group's activities relate to UK retail operations Turnover is all supplied to the UK market

2	Loss from operations	26 weeks 2007 £m	52 weeks 2006 £m
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Loss from operations includes the following significant expenses

Depreciation and amounts written off property, plant and equipment

Charge for the period

Owne d assets	6.7	13.4
Lease d assets	0.5	1.0
Loss/(profit) on disposal of property, plant and equipment	0.8	(1.0)
Operating lease rentals - Property, plant and equipment	43.2	82.5

Amounts payable to KPMG Audit Plc and their associates in respect of both audit and non-audit services

	26 weeks 2007 £m	52 weeks 2006 £m
Audit services		
- Statutory audit of parent and consolidated financial statements	0.0	0.0
- Statutory audit of subsidiary companies	0.1	0.1
- Other services relating to taxation	0.0	-
- Services relating to corporate finance activities	0.0	0.1
	0.1	0.2

3 Exceptional costs

	26 weeks 2007 £m	52 weeks 2006 £m
Cost of sales		
- store closure costs	(1.5)	(7.2)
Distribution expenses		
- fixed asset impairment	(4.9)	-
Administration expenses		
- restructuring costs	-	(1.4)
- refinancing	(1.9)	(1.5)
- impairment of goodwill	(90.2)	(61.6)
Other operating income		
- profit on disposal of property, plant and equipment	-	1.9
Total	(98.5)	(69.8)

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

3 Exceptional costs (continued)

Store closure costs are costs directly associated with store closures and include redundancy and stock write off costs

Fixed asset impairment relates to the result of an impairment review of fixed assets located in loss making stores. The assumptions used in the calculation of the value-in-use of these assets include a growth rate of 2.25% and a discount rate of 11.07%, both of which have been applied to the forecast future cash flows from these stores.

Restructuring costs are associated with head office rationalisation following the disposal of the Wickes business on 15 February 2005 and changes to store and distribution centre organisational structures.

Refinancing costs in 2006 relate to expenses incurred in the renegotiation of the financial covenants on the Group's Senior Credit Facilities. Refinancing costs in 2007 relate to the strategic review of future options of the Group.

Impairment of goodwill is explained in note 11.

Profit on disposal of property, plant and equipment relates to the sale and lease back of property.

4 Finance income

	26 weeks 2007 £m	52 weeks 2006 £m
Receivable from other entities under common control	-	87.7
Net gain on remeasurement of financial assets and liabilities at fair value	1.0	3.0
Interests on cash and cash equivalents	0.1	0.5
	<hr/>	<hr/>
	1.1	91.2
	<hr/>	<hr/>

Focus D I Y (Finance) plc
Notes to the consolidated financial statements
For the period ended 29 April 2007

5 Finance costs	26 weeks 2007 £m	52 weeks 2006 £m
On bank loans and overdrafts	13.1	22.0
Investor debt	4.7	9.5
Discounted provisions		
- Unwinding of discount	0.1	0.3
- Effect of change in discount rate	-	0.4
Finance leases	0.2	0.3
Net finance cost on pension schemes	0.2	0.5
	18.3	33.0

6 Employees	26 weeks 2007 Number	52 weeks 2006 Number
Average monthly number (including Executive Directors) – continuing operations		
<i>By role</i>		
Sales	6,934	6,882
Administration	444	441
	7,378	7,323

	26 weeks 2007 £m	52 weeks 2006 £m
Employment costs – continuing operations		
Wages and salaries	44.8	84.4
Social security costs	3.6	6.5
Pension costs	0.7	1.3
	49.1	92.2

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

6 Employees (continued)

The remuneration of the Directors and senior management, who are the key management personnel of the Group is set out below

Directors' remuneration	26 weeks 2007 £m	52 weeks 2006 £m
Emoluments	0.4	1.4
Money purchase pension contributions	0.1	0.2
Total emoluments	0.5	1.6

Directors' emoluments disclosed above include the following payments

	Highest paid director 26 weeks 2007 £m	52 weeks 2006 £m
Emoluments	0.2	0.6
Money purchase pension contributions	0.0	0.1
Total emoluments	0.2	0.7

The number of directors to whom retirement benefits are accruing under pension schemes was

	26 weeks 2007 Number	52 weeks 2006 Number
Money purchase pension schemes	4	4
Defined benefit pension schemes	2	2

7 Taxation

	26 weeks 2007 £m	52 weeks 2006 £m
Current tax	(1.4)	36.3
Deferred tax	0.4	0.3
Total (credit)/tax charge	(1.0)	36.6

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

8 Taxation (continued)

Factors affecting tax (credit)/charge for the period	26 weeks 2007 £m	52 weeks 2006 £m
The tax credit for the period is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below		
(Loss)/Profit before tax	(117.0)	11.9
(Loss)/Profit before tax multiplied by standard rate of corporation tax in the UK 30% (2006 30%)	(35.1)	3.5
<i>Effects of</i>		
Group relief not paid for	(17.6)	-
Expenses not deductible for tax purposes	1.1	0.3
Goodwill impairment	27.1	18.4
UK transfer pricing adjustments	16.0	1.3
Non-taxable capital disposal	(0.2)	(1.7)
Movement in deferred tax asset not provided	9.1	5.2
Adjustment to tax charge in respect of prior periods	(1.4)	9.6
Total tax (credit)/charge for the period	(1.0)	36.6

9 Dividends

The amount of dividends recognised as distributions during the period was £nil (2006 £nil) and the related amount per share was £nil (2006 £nil)

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

10 Property, plant and equipment

	Short leasehold property	Fixtures, fittings and equipment	Total
	£m	£m	£m
2007			
<i>Cost or valuation</i>			
At beginning of period	13.8	155.8	169.6
Additions	0.7	3.8	4.5
Disposals	(0.2)	(1.7)	(1.9)
	<hr/>	<hr/>	<hr/>
At end of period	14.3	157.9	172.2
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of period	3.1	88.4	91.5
Charged in the period	0.4	6.8	7.2
Impairment	0.7	4.2	4.9
On disposals	(0.1)	(1.0)	(1.1)
	<hr/>	<hr/>	<hr/>
At end of period	4.1	98.4	102.5
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At end of period	10.2	59.5	69.7
	<hr/>	<hr/>	<hr/>
At beginning of period	10.7	67.4	78.1
	<hr/>	<hr/>	<hr/>

The net book value of fixtures, fittings and equipment includes £3.3m (2006 £3.6m) in respect of assets held under finance leases. Depreciation for the period on these assets was £0.5m (2006 £1.0m).

Fixed asset impairment relates to the result of an impairment review of fixed assets located in loss making stores. The assumptions used in the calculation of the value-in-use of these assets include a growth rate of 2.25% and a discount rate of 11.07%, both of which have been applied to the forecast future cash flows from these stores.

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Notes to the consolidated financial statements
For the period ended 29 April 2007

10 Property, plant and equipment (continued)

	Freehold property	Short leasehold property	Fixtures, fittings and equipment	Total
2006	£m	£m	£m	£m
<i>Cost or valuation</i>				
At beginning of period	0.6	13.0	46.7	160.3
Additions	-	-	12.3	14.4
Disposals	(0.6)	(1.3)	(3.2)	(5.1)
At end of period	-	13.8	155.8	169.6
<i>Depreciation</i>				
At beginning of period	0.2	3.3	77.3	80.8
Charged in the period	-	0.7	13.7	14.4
Disposals	(0.2)	(0.9)	(2.6)	(3.7)
At end of period	-	3.1	88.4	91.5
<i>Net book value</i>				
At end of period	-	10.7	67.4	78.1
At beginning of period	0.4	9.7	69.4	79.5

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

11 Intangible assets

	Positive goodwill £m
<i>Cost</i>	
At beginning and end of period	346.7
<i>Impairment</i>	
At beginning of period	61.6
Impairment losses	90.2
At end of period	151.8
<i>Net book value</i>	
At 29 April 2007	194.9
At 29 October 2006	285.1

Goodwill Impairment

Goodwill acquired in a business combination is allocated to the cash generating units that are expected to benefit from that business combination

The UK operation is the only cash generating unit and the net carrying amount is £194.9m for the period ended 29 April 2007 and £285.1m for the period ended 29 October 2006

Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment. To the extent that the carrying value exceeds the value in use, determined from estimated discounted future net cash flows or recoverable amount, goodwill is written down to the value in use and an impairment charge is recognised.

During the period, goodwill was tested for impairment in accordance with IAS 36 'Impairment of assets'. The recoverable amount for the cash generating unit has been measured on a value in use calculation.

The key assumptions for the value in use calculations including a cashflow projection based on financial forecasts and a pre tax discount rate of 11.07%. Cash flows beyond the forecast period have been extrapolated using a growth rate of 2.25%, which does not exceed the long term average growth rate for retail businesses in the UK.

The impairment charge is recognised in the following line items in the income statement

	2007 £m	2006 £m
Administration costs – Impairment of goodwill	90.2	61.6

Impairment of goodwill in 2006 and 2007 reflects the downturn in the DIY retail market as disclosed in page 2 of the Directors Report

Focus D I Y (Finance) plc

Notes to the consolidated financial statements

For the period ended 29 April 2007

12 Inventories

	2007 £m	2006 £m
Finished goods for resale	141.5	140.8
	<u>141.5</u>	<u>140.8</u>
	2007 £m	2006 £m
Total gross inventories	149.3	149.2
Inventory impairment	(7.8)	(8.4)
	<u>141.5</u>	<u>140.8</u>
	2006 £m	2006 £m
<i>Inventory impairment</i>		
At beginning of period	8.4	8.8
Income statement charge	1.3	2.0
Provision utilised	(1.9)	(2.4)
	<u>7.8</u>	<u>8.4</u>
At end of period		

The cost of inventories recognised as an expense and included in cost of sales amounted to £201.5m (2006 £421.7m)

13 Trade and other receivables

	2007 £m	2006 £m
<i>Due within one period</i>		
Trade receivables	2.5	2.0
Less provisions for impairment of receivables	(0.3)	(0.3)
	<u>2.2</u>	<u>1.7</u>
Trade receivables – net		
Prepayments and accrued income	13.4	17.4
Interest rate swap	1.0	0.5
Amounts receivable from entities under common control	524.9	523.1
	<u>541.5</u>	<u>542.7</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

The age profile of the net trade receivables for the Group at 29 April 2007 and 29 October 2006 was due in less than one period

Focus D I Y (Finance) plc
Notes to the consolidated financial statements
For the period ended 29 April 2007

14 Cash and cash equivalents

	2007 £m	2006 £m
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Cash at bank	-	12.1
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Cash and cash equivalents per the cash flow statement includes the bank overdraft of £12.8m (2006 £nil)

15 Trade and other payables

	2007 £m	2006 £m
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Trade payables	103.3	103.7
Other taxation and social security costs	13.5	12.9
Other payables	7.0	7.3
Accruals and deferred income	50.2	49.4
	<u>174.0</u>	<u>173.3</u>

16 Short-term borrowings

	2007 £m	2006 £m
--	------------	------------

Bank loans and overdrafts	17.5	8.7
Obligations under finance leases	0.9	1.1
Financial guarantees	1.0	1.3
	<u>19.4</u>	<u>11.1</u>

17 Long-term borrowings

	2007 £m	2006 £m
--	------------	------------

Bank loans and overdrafts	267.2	268.9
Obligations under finance leases	1.3	1.6
	<u>268.5</u>	<u>270.5</u>

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

18 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 19.

	2007 £m	2006 £m
Non-current liabilities		
Non current portion of secured bank loans	267.2	268.9
Non current portion of finance lease liabilities	1.3	1.6
	<u>268.5</u>	<u>270.5</u>
Current liabilities		
Current portion of secured bank loans	17.5	8.7
Current portion of finance lease liabilities	0.9	1.1
	<u>18.4</u>	<u>9.8</u>

Terms and debt repayment schedule

	Nominal interest %	Face value 2007 £m	Carrying amount 2007 £m	Face value 2006 £m	Carrying amount 2006 £m
Senior Loan Tranche A Repayable in increasing bi-annual instalments expiring 31 October 2011	Libor+2.25	66.3	66.3	74.6	74.6
Senior Loan Tranche B Repayable in full by 31 October 2012	Libor+2.75	53.8	53.8	54.5	54.5
Senior Loan Tranche C Repayable in full by 31 October 2013	Libor+3.25	53.8	53.8	54.5	54.5
Mezzanine Notes Maturing 3 March 2015	9 3/8	100.0	100.0	100.0	100.0
Capitalised PIK interest	-	7.7	7.7	4.7	4.7
		<u>281.6</u>	<u>281.6</u>	<u>288.3</u>	<u>288.3</u>
Less future finance charges		(9.8)	(9.8)	(10.7)	(10.7)
		<u>271.8</u>	<u>271.8</u>	<u>277.6</u>	<u>277.6</u>

At 29 April 2007 the total revolving credit facility excluding BACS facilities was £75.0m. Of this facility £42.9m remained unutilised at the balance sheet date. The amounts utilised relate to letters of credit borrowings, forward foreign exchange contracts and guarantees. The maturity of the revolving credit facility is 31 October 2011.

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

18 Interest-bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows

	Minimum lease payments 2007 £m	PV of payments 2007 £m	Finance charges 2007 £m	Minimum lease payments 2006 £m	PV of payments 2006 £m	Finance charges 2006 £m
Less than one year	0.9	0.8	0.1	1.1	0.7	0.4
Between one and five years	1.3	1.1	0.2	1.6	1.5	0.1
	<u>2.2</u>	<u>1.9</u>	<u>0.3</u>	<u>2.7</u>	<u>2.2</u>	<u>0.5</u>

19 Financial instruments

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risks, liquidity and interest rates. The Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Group by using various instruments and techniques.

The Group's principal financial instruments comprise an overdraft of £12.8 million, bank loans of £181.6 million and Mezzanine Notes of £100.00 million. The main purpose of these instruments is to provide finance for the Group's acquisitions and operations.

The Group also enters into derivatives transactions (principally interest rate swaps and forward foreign currency contracts). The purpose of such transactions is to manage the currency and interest rate risks arising from the Group's operations and its sources of finance.

It has always been the Group's policy that no trading in financial instruments should be undertaken.

Risk management policies have been set by the Board and applied by the Group.

(a) Foreign exchange risk

The Group has transactional currency exposures arising from purchases settled in foreign currencies. These exposures are hedged where appropriate by forward foreign currency exchange contracts.

(b) Interest rate risk

The Group borrows at both fixed and floating rates of interest. At the period end 82.5% of the Group's debt was subject to fixed rates of interest. Interest rate swaps and caps are used to generate an appropriate interest profile and to manage the Group's exposure to interest rate fluctuations.

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

19 Financial instruments (continued)

(c) Credit risk

The Group's financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the present value of estimated future cash flows. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk.

Note 13 sets out the impairment provision for credit losses on trade receivables and the ageing analysis of overdue trade receivables.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. Short-term flexibility is achieved through the use of a revolving credit facility.

Fair value of borrowings and cash and cash equivalents

The comparison of book and fair values of all the Group's financial assets and liabilities at the period end is set out below.

	29 April 2007		29 October 2006	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
<i>Group financial assets</i>				
Cash and cash equivalents	-	-	12.1	12.1
Interest rate swap	1.0	1.0	0.5	0.5
	<u>1.0</u>	<u>1.0</u>	<u>12.6</u>	<u>12.6</u>
<i>Group financial liabilities</i>				
Senior loan	181.6	181.6	188.3	188.3
Mezzanine notes	100.0	38.5	100.0	38.5
Finance leases	2.2	2.1	2.7	2.3
Financial guarantees	1.0	1.0	1.3	1.3
Overdrafts	12.8	12.8	-	-
	<u>297.6</u>	<u>236.0</u>	<u>292.3</u>	<u>230.4</u>
Unrecognised profit		<u>61.6</u>		<u>61.9</u>

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

19 Financial instruments (continued)

Fair values have been estimated by discounting the expected future cash flows at future interest rates. The carrying value of the senior loans approximates to fair value since the interest periods do not run for longer than six months.

The fair value of the Mezzanine Notes is the mid price market value of the notes as quoted on the Dublin stock Exchange.

The fair value of the interest rate swap is the market value at the balance sheet date.

The fair value of finance leases is estimated as the present value of future cashflows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes on interest rates. The interest rate inherent in the finance leases is fixed at the contract date for all the lease term and therefore exposes the Group to fair value interest rate risk. The discounted interest rate used to determine fair values is 11.07%.

Effective interest rates re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheets date and the periods in which they mature or, if earlier, are repriced.

Focus D I Y (Finance) plc
Notes to the Consolidated Financial Statements
At 29 April 2007

19 Financial instruments (continued)

	Effective interest rate	Total gross debt	29 April 2007			
			In one year or less or on demand	In more than one year but not more than two years	In more than two years but not more than five years	In more than five years
			£m	£m	£m	£m
<i>Group Financial Assets</i>						
Cash and cash equivalents	-	-	-	-	-	-
Interest rate swap	-	1.0	1.0	-	-	-
		1.0	1.0	-	-	-
<i>Group Financial Liabilities</i>						
Senior bank loans	7.6	181.6	5.2	13.6	47.5	115.3
Mezzanine notes	9.7	100.0	-	-	-	100.0
Finance leases	-	2.2	0.9	0.9	0.4	-
Financial guarantees	-	1.0	1.0	-	-	-
Overdrafts	8.1	12.8	12.8	-	-	-
		297.6	19.9	14.5	47.9	215.3
	Effective interest rate	Total gross debt	29 October 2006			
			In one year or less or on demand	In more than one year but not more than two years	In more than two years but not more than five years	In more than five years
			£m	£m	£m	£m
<i>Group Financial Assets</i>						
Cash and cash equivalents	-	12.1	12.1	-	-	-
Interest rate swap	-	0.5	0.5	-	-	-
		12.6	12.6	-	-	-
<i>Group Financial Liabilities</i>						
Senior bank loans	7.6	188.3	9.3	12.2	52.6	114.2
Mezzanine notes	9.7	100.0	-	-	-	100.0
Finance leases	-	2.7	1.1	1.0	0.6	-
Financial guarantees	-	1.3	1.3	-	-	-
		292.3	11.7	13.2	53.2	214.2

19 Financial instruments (continued)

	29 October 2006			
	Total debt £m	Fixed interest rates £m	Floating interest rates £m	No interest paid £m
<i>Group Financial Assets</i>				
Cash and cash equivalents	12.1	-	12.1	-
Interest rate swap	0.5	-	-	0.5
	<u>12.6</u>	<u>-</u>	<u>12.1</u>	<u>0.5</u>
<i>Group Financial Liabilities</i>				
Senior loans	188.3	134.7	48.9	4.7
Mezzanine Notes	100.0	100.0	-	-
Finance leases	2.7	2.7	-	-
Financial guarantees	1.3	-	-	1.3
	<u>292.3</u>	<u>237.4</u>	<u>48.9</u>	<u>6.0</u>

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

19 Financial instruments (continued)

The senior bank loans are secured by fixed and floating charges over the assets of the Group. The senior bank commitments also include a £75.0m revolving credit facility. The mezzanine notes, guaranteed by certain other Group companies, are subordinated to the senior bank loans and are listed on the Dublin Stock Exchange.

20 Provisions

	Onerous lease provision	
	2007 £m	2006 £m
At beginning of period	9.9	7.2
Release of provision	(0.4)	-
Utilised in the period	(1.3)	(2.4)
Charge for the period	-	4.4
Unwinding of discounted element	0.1	0.3
Effect of change in the discount rate	-	0.4
	<hr/>	<hr/>
At end of period	8.3	9.9
	<hr/>	<hr/>
Non current	5.5	7.2
Current	2.8	2.7
	<hr/>	<hr/>
	8.3	9.9
	<hr/>	<hr/>

The onerous lease provision relates to leased properties not currently occupied by the Group and is based on an estimate of the period that the property will remain vacant. The provision is based on the value of future cash outflows relating to rent, rates and services charges.

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

21 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. The amounts offset are as follows

	2007 £m	2006 £m
<i>Deferred tax assets</i>		
- Deferred tax asset to be recovered after more than 12 months	0.7	0.7
- Deferred tax on pension deficit	9.5	10.2
	<u>10.2</u>	<u>10.9</u>
<i>Deferred tax liabilities</i>		
- Deferred tax liabilities to be recovered after more than 12 months	(0.7)	(0.7)
	<u>(0.7)</u>	<u>(0.7)</u>
Net deferred tax asset	<u>9.5</u>	<u>10.2</u>

The amounts unprovided for deferred tax under IAS 12 are set out below

	Assets		Liabilities		Net	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Property plant and equipment	11.6	9.0	-	-	11.6	9.0
Provisions	6.3	6.3	-	-	6.3	6.3
Tax value of loss carry-forwards	6.5	3.0	-	-	6.5	3.0
	<u>24.4</u>	<u>18.3</u>	<u>-</u>	<u>-</u>	<u>24.4</u>	<u>18.3</u>

22 Retirement benefit obligations

The Group provides post-retirement benefits through a number of pension schemes. Currently the main scheme operated by the Group is the Focus Money Purchase Plan. Additionally the Group operates two defined benefit schemes, which are the Focus Pension Scheme and the Do It All Pension Scheme, both schemes are closed to new members.

The total pension cost included within operating costs for the Group is derived as follows

	2007 £m	2006 £m
Focus Money Purchase Plan	<u>0.7</u>	<u>1.3</u>

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

22 Retirement benefit obligations (continued)

Included within creditors is a pension contribution accrual of £0.2m (2006 £0.2m)

The estimated amount on contributions expected to be paid during the next financial period is £1.5m (2006 £1.5m)

The Group operates two defined benefit schemes as follows

Focus Pension Scheme

The latest full actuarial valuation of the Focus Pension Scheme was performed as at 6 April 2005 and was updated for IAS 19 purposes to 29 April 2007 by a qualified independent actuary.

Do It All Pension Scheme

The latest full actuarial valuation of the Do It all Pension Scheme was performed on 1 April 2005 and was updated for IAS 19 purposes to 29 April 2007 by a qualified independent actuary

The following disclosures show the combined details for two pension schemes. The present value of the defined benefit obligation, the related current service cost and past service cost were calculated using the projected unit credit method. The major assumptions used by the actuary were

	2007 %	2006 %	2005 %
Salary increase	-	-	-
Pension payment increase	3.2	3.2	2.9
Revaluation rate for deferred pensions	3.2	3.2	2.9
Rate of discount	5.3	5.0	5.0
Inflation	3.3	3.2	2.9

The expected long term return on cash is equal to bank based rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

22 Retirement benefit obligations (continued)

The expected long term rates of return are as follows	29 April 2007 % per annum	29 October 2006 % per annum	30 October 2005 % per annum
Equities	7.7	7.7	7.7
Bonds	5.0	5.0	5.0
Property	7.2	7.2	7.2
Cash	4.7	4.7	4.5
	<hr/>	<hr/>	<hr/>
Overall for plan	7.0	7.0	7.2
	<hr/>	<hr/>	<hr/>

Amounts recognised in income in respect of these defined benefit schemes are as follows

	2007 £m	2006 £m
Interest cost	2.4	4.3
Expected return on scheme assets	(2.2)	(3.8)
	<hr/>	<hr/>
	0.2	0.5
	<hr/>	<hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of Recognised Income and Expense since 29 January 2003 is a loss of £8.3m

The actual return on scheme assets over the 26 weeks was £3.4m (2006 over 52 weeks £8.7m)

Movements in the present value of defined benefit obligations in the current period were as follows

	2007 £m	2006 £m
At beginning of period	96.0	87.1
Interest costs	2.4	4.3
Actuarial losses	0.2	5.5
Benefits paid	(0.9)	(0.9)
	<hr/>	<hr/>
At end of period	97.7	96.0
	<hr/>	<hr/>

Movements in the present value of fair value of scheme assets in the current period were as follows

	2007 £m	2006 £m
At beginning of period	62.2	52.9
Expected return on scheme assets	2.2	3.8
Actuarial gains	1.2	4.9
Employer contributions	1.2	1.5
Benefits paid	(0.9)	(0.9)
	<hr/>	<hr/>
At end of period	65.9	62.2
	<hr/>	<hr/>

Focus D I Y (Finance) plc
Notes to the Consolidated Financial Statements
At 29 April 2007

22 Retirement benefit obligations (continued)

The analysis of the scheme assets at the balance sheet date was as follows.

	Fair value of assets	
	2007 £m	2006 £m
Equity investments	41.8	40.9
Bonds	15.8	15.4
Property	7.0	5.0
Other	1.3	0.9
	<u>65.9</u>	<u>62.2</u>

The three year history of experience adjustments are as follows

	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	(97.7)	(96.0)	(87.1)
Fair value of scheme assets	<u>65.9</u>	<u>62.2</u>	<u>52.9</u>
Deficit in scheme	<u>(31.8)</u>	<u>(33.8)</u>	<u>(34.2)</u>
Experience adjustments on scheme Liabilities	<u>0.3</u>	<u>-</u>	<u>0.5</u>
Experience adjustments on scheme Assets	<u>1.2</u>	<u>4.9</u>	<u>4.7</u>
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	<u>(0.5)</u>	<u>(5.5)</u>	<u>(16.3)</u>

23 Share capital

Number of equity ordinary shares of £1 each	Number authorised	Number allotted, called up and fully paid	Authorised	Allotted, called up and fully paid
	Millions	Millions	£Million	£Million
At 29 October 2006	<u>465.0</u>	<u>456.9</u>	<u>465.0</u>	<u>456.9</u>
At 29 April 2007	<u>465.0</u>	<u>456.9</u>	<u>465.0</u>	<u>456.9</u>

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

24 Changes in shareholders' equity

	Share capital £m	Retained earnings £m	Total £m
At 30 October 2005	456.9	138.6	595.5
Total recognised income and expense	-	(25.1)	(25.1)
At 29 October 2006	456.9	113.5	570.4
Total recognised income and expense	-	(115.3)	(115.3)
At 29 April 2007	456.9	(1.8)	455.1

Share capital

The share capital account includes the par value for all shares issued and outstanding

Retained earnings

The retained earnings reserve includes the accumulated profits and losses arising from the consolidated income statement and certain items from the statement of recognised income and expense attributable to equity shareholders net of distributions to shareholders

25 Capital commitments

There were no capital commitments at the end of the financial period (2006 £nil)

26 Operating leases payable

	2007 £m	2006 £m
Minimum lease payments under operating leases recognised as an expense in the period	43.2	82.5
At the balance sheet date, the Group has outstanding commitments under operating leases, which fall due as follows		
Land and buildings	87.2	84.3
Within one year	337.7	329.0
In the second to fifth year inclusive	734.3	710.7
After five year		
Plant and machinery	1.8	1.9
Within one year	3.4	3.5
In the second to fifth year inclusive	0.4	0.6
After 5 years		
	1,164.8	1,130.0

Focus D I Y (Finance) plc
Notes to the Consolidated Financial Statements
At 29 April 2007

26 Operating leases payable (continued)

Operating lease payments represent rentals payable by the Group for certain of its properties and equipment. Leases have varying terms and renewal rights. The above leasing arrangements do not contain any restrictive covenants, contingent rents or purchase options.

27 Cash flows from financing activities and movements in borrowings

	<i>2007 Debt due within one period</i>	<i>2007 Debt due after more than one period</i>	<i>2007 Total</i>	<i>2006 Debt due within one period</i>	<i>2006 Debt due after more than one period</i>	<i>2006 Total</i>
	£m	£m	£m	£m	£m	£m
New borrowing						
<i>New bank loans</i>						
New secured loan Tranche A repayable by 2011	-	1.1	1.1	-	4.5	4.5
Total cash inflow from issuance of debt	-	1.1	1.1	-	4.5	4.5
Repayment of debt						
Repayment of secured loan tranche A repayable by 2001	(9.4)	-	(9.4)	(10.3)	-	(10.3)
Repayment of secured loan tranche B Repayable by 2012	-	(0.6)	(0.6)	(2.5)	-	(2.5)
Repayment of secured loan tranche C repayable by 2013	-	(0.7)	(0.7)	(2.5)	-	(2.5)
Total cash outflow from repayment of debt	(9.4)	(1.3)	(10.7)	(15.3)	-	(15.3)

28 Analysis of net debt

	<i>At beginning of period</i>	<i>Cash flow</i>	<i>Other non cash movements</i>	<i>At end of period</i>
	£m	£m	£m	£m
Cash in hand and at bank/(overdraft)	12.1	(24.9)	-	(12.8)
Debt due within one year – bank loans, overdrafts and investor debt	(8.7)	9.4	(5.4)	(4.7)
Debt due after one year – bank loans, other loans and investor debt	(268.9)	0.2	1.5	(267.2)
Finance leases	(2.7)	0.5	-	(2.2)
	<u>(268.2)</u>	<u>(14.8)</u>	<u>(3.9)</u>	<u>(286.9)</u>

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

29 Post balance sheet events

In January 2007 the Group announced a strategic review of future options for the Group. The Group held discussions with a co-ordination committee of senior lenders and an ad-hoc committee of mezzanine note holders, as well as its shareholders, about the requirement to restructure its debt and equity. The strategic review included the potential sale of the business and had the full support of all the stakeholders.

As a result of the strategic review, FW No 4 Limited, the controlling parent company, and all of its subsidiaries were disposed of as a going concern. The acquirer, FLP2 Limited, a company affiliated with Cerberus European Investments LLC purchased FW No 4 Limited for £1. The acquiring Group also purchased the senior debt at par and made an offer of 40p per £1 nominal value for the mezzanine notes which was accepted by 92.04% of the mezzanine note holders.

Post the sale, FLP2 Limited has a £100 million senior debt facility and a £60 million second lien facility, fully drawn. The senior debt, on which interest is payable in cash, is split into 2 tranches of £50 million with bullet repayment of the first tranche due after 6 years and the second after 7 years. The second lien is also a bullet repayment due after 8 years and carries PIK interest payable on maturity.

As part of the acquisition of FW No 4 Limited the Group's new management engaged Hilco UK Ltd to support the Group's repositioning and sale of 52 under performing stores. Pursuant to contracts exchanged on the 11 October 2007 a further 24 stores have been sold and a further 3 stores are expected to be sold within the next 12 months.

30 Accounting estimates and judgements

Some asset and liability amounts reported in the financial statements are based on management estimates and assumptions. There is therefore a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial period. The estimates and assumptions are made on the basis of information and conditions that exist at the time of the valuation.

Classification of leases

The Group utilises assets subject to operating and finance leases. The classification of these leases is based on a number of factors such as risk and reward, length of use and the fair value of minimum lease payments. Lease classification is made at the inception of the lease.

Property provisions

The Group occupies leasehold properties for which a provision is made for onerous lease commitments. At 29 April 2007 the provisions are £8.3m (2006: £9.9m). These provisions reflect conditions existing at the period end, and are judgemental by their nature. The provisions are discounted to their present value. These discounting calculations are judgemental as they use estimated discount rates.

Impairment provisions

The impairment tests require a number of assumptions and judgements to be made. An explanation of these judgements and estimations are detailed in the impairment test accounting policies.

Inventory impairment provisions

The Group makes provision for finished goods and goods for resale deemed to be irrecoverable. This provision is established on a specific line by line basis based on management's prior experience and their assessment of the present value of estimated future cash flows.

Focus D I Y (Finance) plc

Notes to the Consolidated Financial Statements

At 29 April 2007

Receivables impairment provisions

The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the present value of estimated future cash flows

Pension valuation assumptions

Assumptions are used in the actuarial valuation of the Group's defined benefit pension schemes. Details of these assumptions are disclosed in note 22

31 Related party transactions

Directors of the Company and their immediate relatives control nil per cent of the voting shares of the Company. The compensation of key directors is shown in note 6

During the period the Company and its subsidiaries carried out a number of transactions with related parties in the normal course of the business and on arm's length basis. The related parties are entities under common control and are Focus DIY Group Limited, Focus DIY Group No 2 Limited, Focus DIY Holdings Limited, FW No 1 Limited, FW No 2 Limited, FW No 3 Limited and FW No 4 Limited

The nature of related party transactions and their total value is shown below

	2007		2006	
	Value of transactions £m	Receivable at period end £m	Value of transactions £m	Receivable at period end £m
Entities under common control				
Funding and corporate finance transactions	-	524.9	87.7	523.1

32 Group entities

Focus DIY (Finance) plc is a Company incorporated in England & Wales under the Companies Act 1985 and domiciled in the UK. The ultimate controlling party at 29 April 2007 was Focus DIY Group Limited and following the acquisition of the Group on 26 July 2007 the ultimate controlling party changed to FLP2 Limited

The registered office of Focus DIY (Finance) plc is Gawsworth House, Westmere Drive, Crewe CW1 6YB.

Focus D I Y (Finance) plc
Company Profit and Loss Account
At 29 April 2007

	2007 £m	2006 £m
Administrative expenses	(0 6)	-
Operating loss – continuing operations	(0 6)	-
Other interest receivable and similar income	-	116 2
Interest payable and similar charges	(4 8)	(9 5)
(Loss)/Profit on ordinary activities before taxation	(5 4)	106 7
Tax on (Loss)/profit on ordinary activities	-	(55 2)
(Loss)/Profit for the financial period	(5.4)	51 5

The Company has no recognised gains or losses in either the current or preceding period, other than those reported above and therefore no statement of total recognised gains and losses has been presented

Focus D I Y (Finance) plc
Company Balance Sheet
At 29 April 2007

	Note	2007 £m	£m	2006 £m	£m
Fixed assets					
Investments	33		0.0		0.0
Current assets					
Debtors	34	798.6		799.3	
Creditors: amounts falling due within one period	35	(132.6)		(127.9)	
Net current assets			666.0		671.4
Total assets less current liabilities			666.0		671.4
Creditors: amounts falling due after more than one period	36		(96.3)		(96.3)
Net assets			569.7		575.1
Capital and reserves					
Called up share capital	37		456.9		456.9
Profit and loss account	38		112.8		118.2
Shareholders' funds			569.7		575.1

The financial statements of the Company were approved by the board of directors and authorised for issue on 25th April 2008 and were signed on its behalf by

W J Hoskins

W J Hoskins
Finance Director

Focus D I Y (Finance) plc
Notes to the Company Financial Statement
For the period ended 29 April 2007

	2007 £m	2006 £m
(Loss)/Profit for the financial period	(5.4)	51.5
Net (reduction in)/addition to shareholders' funds	(5.4)	51.5
Opening shareholders' funds	575.1	523.6
Closing shareholders' funds	569.7	575.1

Focus D I Y (Finance) plc

Notes to the Company Financial Statement

For the period ended 29 April 2007

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with UK GAAP.

The principal accounting policy adopted is set out below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Loss for the financial period

The loss for the financial period before dividends dealt with in the financial statements of the parent Company, Focus D I Y (Finance) plc was £5.4m (2006 profit £51.5m).

33 Investments

	Shares in Group undertakings £m
<i>Cost</i>	
At beginning and end of period	-
<i>Amounts written off</i>	
At beginning and end of period	-
<i>Net book value</i>	
At end of period	-
At beginning of period	-

The Company holds more than 20% of the equity (and no other share or loan capital) of the following principal undertakings:

Subsidiary undertaking	Country of registration	Principal activity	Class and percentage of shares held	
			Group	Company
Focus DIY (Investments) Ltd	UK	Intermediate holding company	-	100% Ord
Focus No. 1 Limited	UK	Intermediate holding company	100% Ord	-
Focus Retail Group Limited	UK	Intermediate holding company	100% Ord	-
Focus Group (Finance) Limited	UK	Intermediate holding company	100% Ord	-
Focus (DIY) Limited	UK	Retail operator of DIY Superstores	100% Ord	-
Do It All Limited	UK	Retail operator of DIY Superstores	100% Ord	-
Focus Retail Services Limited	UK	Provider of financial services to fellow Group companies	100% Ord	-

Focus D I Y (Finance) plc
Notes to the Company Financial Statement
For the period ended 29 April 2007

34 Debtors	2007 £m	2006 £m
<i>Due within one period</i>		
Amounts owed by Group undertakings	798.6	799.3
	<hr/>	<hr/>
35 Creditors: Amounts falling due within one period	2007 £m	2006 £m
Amounts owed to Group undertakings	128.8	124.1
Accruals and deferred income	3.8	3.8
	<hr/>	<hr/>
	132.6	127.9
	<hr/>	<hr/>
36 Creditors: Amounts falling due after more than one period	2007 £m	2006 £m
Mezzanine notes	100.0	100.0
Less future finance costs	(3.7)	(3.7)
	<hr/>	<hr/>
	96.3	96.3
	<hr/>	<hr/>

Mezzanine Loan Notes at 29 April 2007 comprise

£100,000,000 9 3/8% Mezzanine Notes which mature on 3 March 2015

The Mezzanine Notes fall due in five years or more

Focus D I Y (Finance) plc

Notes to the Company Financial Statement

For the period ended 29 April 2007

37 Share Capital

For further detail on the share capital see note 23

38 Reserves

	Retained earnings £m
At beginning of period	118.2
Loss for the period	(5.4)
	<hr/>
At end of period	112.8
	<hr/>

39 Financial instruments

Role of financial instruments

The Company raises its funds from various financial instruments and these funds are then used throughout the Group to finance acquisitions and trading activity

The Company does not trade in financial instruments

The main risk arising from the Company's financial instruments is interest rate risk. A discussion of how this risk impacts the Company is given in the Directors report on page 2

Interest rate risk

The interest rate risk profile of the Company is as follows

	29 April 2007			29 October 2006		
	Total gross debt £m	Fixed interest rates £m	No interest paid £m	Total gross debt £m	Fixed interest rates £m	No interest paid £m
Mezzanine notes	100.0	100.0	-	100.0	100.0	-
		<hr/>	<hr/>		<hr/>	<hr/>
Issue costs	(3.7)			(3.7)		
	<hr/>			<hr/>		
	96.3			96.3		
	<hr/>			<hr/>		

The weighted average interest rate of the fixed rate financial liabilities is 9.38% (2006 9.38%) and is fixed for a weighted average period of 7.85 years (2006 8.35 years)

Focus D I Y (Finance) plc

Notes to the Company Financial Statement

For the period ended 29 April 2007

39 Financial instruments (continued)

Liquidity risk

The maturity profile of the Company's financial instruments is as follows

	29 April 2007		29 October 2006	
	Total gross debt £m	In more than five periods £m	Total gross debt £m	In more than five periods £m
Mezzanine notes	100.0	100.0	100.0	100.0
Issue costs	(3.7)		(3.7)	
	<u>96.3</u>		<u>96.3</u>	

Fair values

The fair values of the financial liabilities held by the Company are as follows

	29 April 2007		29 October 2006	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<i>Financial liabilities</i>				
Mezzanine notes	100.0	38.5	100.0	38.5
Issue costs	(3.7)		(3.7)	
	<u>96.3</u>		<u>96.3</u>	

The fair value of the mezzanine notes is the mid price market value of the notes as quoted on the Dublin Stock Exchange

40 Post balance sheet events

Taxation

On 21 March 2007, it was announced that the standard rate of corporation tax was to be changed to 28% and capital allowance legislation impacting on the calculation of the deferred tax provision of the company will be introduced for taxable periods starting on or after 1 April 2008. For the purpose of the company financial statements to 29 April 2007, the standard rate of corporation tax and capital allowance legislation applicable prior to 30 March 2008 has been applied on the basis that these were enacted as 29 April 2007.

Commercial

In January 2007 the Group announced a strategic review of future options for the Group. The Group held discussions with a co-ordination committee of senior lenders and an ad-hoc committee of mezzanine note holders, as well as its shareholders, about the requirement to restructure its debt and equity. The strategic review included the potential sale of the business and had the full support of all the stakeholders.

As a result of the strategic review, FW No 4 Limited, the controlling parent company, and all of its subsidiaries were disposed of as a going concern. The acquirer, FLP2 Limited, a company affiliated with Cerberus European Investments LLC purchased FW No 4 Limited for £1. The acquiring Group also purchased the senior debt at par and made an offer of 40p per £1 nominal value for the mezzanine notes, which was accepted by 92.04% of the mezzanine note holders.

Focus D I Y (Finance) plc

Notes to the Company Financial Statement

For the period ended 29 April 2007

40 Post balance sheet events (continued)

Post the sale, FLP2 Limited has a £100 million senior debt facility and a £60 million second lien facility, fully drawn. The senior debt, on which interest is payable in cash, is split into 2 tranches of £50 million with bullet repayment of the first tranche due after 6 years and the second after 7 years. The second lien is also a bullet repayment due after 8 years and carries PIK interest payable on maturity.

As part of the acquisition of FW No 4 Limited the Group's new management engaged Hilco UK Ltd to support the Group's repositioning and sale of 52 under performing stores. Pursuant to contracts exchanged on the 11 October 2007 a further 24 stores have been sold and a further 3 stores are expected to be sold within the next 12 months.