

Focus DIY (Finance) Plc  
Directors' report and financial statements  
Registered Number 4526040  
24 February 2008

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## Directors' report

The directors present their annual report and the audited financial statements for the 43 week period ended 24 February 2008 (2007 26 weeks ended 29 April 2007)

### Principal activity

The Company's principal activity is that of an intermediate holding and finance Company

### Business Performance

The results of the Company for the period are set out in the accompanying financial statements

On the 26 July 2007 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 an offer of 40p per £1 nominal value for the £100m mezzanine notes was accepted by 92.04% of the mezzanine note holders and the mezzanine notes were delisted from the Irish Stock Exchange.

The Focus Group, post the acquisition, 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 in 2013 and the second due in 2014. 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 to support the Group's repositioning and sale of 52 under performing stores. Pursuant to contracts exchanged on 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.

Consolidated accounts under International Financial Reporting Standards were prepared in previous periods. The financial statements for the period ended 24 February 2008 have been prepared under UK GAAP and for the Company only as the Company has no securities admitted to trading on a regulated market of an EU state following the delisting of the Mezzanine notes from the Irish Stock Exchange.

### Directors

The directors who have 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)
W Grimsey	(appointed 26 July 2007)
WJ Hoskins	(appointed 26 July 2007, resigned 28 April 2008)
R Bird	(appointed 12 November 2007)
S Thomas	(appointed 19 November 2007)
G West	(appointed 16 January 2008)

The following directors were appointed after the balance sheet date

R Gladwin	(appointed 7 April 2008)
AV Unitt	(appointed 28 April 2008)

### Political and charitable

The Company made no political or charitable donations during the period (2007 £nil)

## **Directors' report** *(continued)*

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### **Financial Instruments**

The Company's principal financial instrument is the Mezzanine Loan Notes which were issued in 2005 to help the Group's acquisitions and operations. In the period ending 24 February 2008, as part of the acquisition of the Group by Cerberus European Investments LLC, an offer of 40p per £1 nominal value for the £100m mezzanine notes was accepted by 92.04% of the mezzanine note holders and the mezzanine notes were delisted from the Irish Stock Exchange.

Throughout the period under review it has always been the Company's policy that no trading in financial instruments should be undertaken.

The main risk arising from the Company's financial instruments is interest rate risk.

### **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 Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AV Unitt  
*Finance Director*  
Gawsworth House  
Westmere Drive  
Crewe  
Cheshire  
CW1 6XB

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

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the 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 Company and to prevent and detect fraud and other irregularities.



## **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 financial statements of Focus DIY (Finance) Plc for the 43 week period ended 24 February 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds 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 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 financial statements 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 3.

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.

#### **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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

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

**Opinion**

In our opinion

- the 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 24 February 2008 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit PLC  
Chartered Accountants  
Registered Auditor



2008

**Profit and loss account**  
*for the period ended 24 February 2008*

	Note	43 weeks 24 February 2008			26 weeks 29 April 2007		
		Continuing operations			Continuing operations		
		Before exceptional items £000	Exceptional items £000	Total £000	Before exceptional items £000	Exceptional items £000	Total £000
Administrative expenses	2	(29)	(1,947)	(1,976)	(8)	(564)	(572)
<b>Operating loss</b>		<b>(29)</b>	<b>(1,947)</b>	<b>(1,976)</b>	<b>(8)</b>	<b>(564)</b>	<b>(572)</b>
Other interest receivable and similar income	6	6,011	-	6,011	-	-	-
Interest payable and similar charges	7	(5,695)	-	(5,695)	(4,871)	-	(4,871)
Other exceptional finance income	2	-	60,000	60,000	-	-	-
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>287</b>	<b>58,053</b>	<b>58,340</b>	<b>(4,879)</b>	<b>(564)</b>	<b>(5,443)</b>
Tax on profit/(loss) on ordinary	8			-			-
<b>Profit/(loss) for the financial period</b>				<b>58,340</b>			<b>(5,443)</b>

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



**Balance sheet**  
*at 24 February 2008*

	<i>Note</i>	24 February 2008		29 April 2007	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	9		-		-
<b>Current assets</b>					
Debtors	10	747,406		798,698	
Creditors: amounts falling due within one year	11	(116,274)		(132,531)	
<b>Net current assets</b>			631,132		666,167
<b>Total assets less current liabilities</b>			631,132		666,167
Creditors: amounts falling due after more than one year	12		(3,184)		(96,559)
<b>Net assets</b>			627,948		569,608
<b>Capital and reserves</b>					
Called up share capital	13		456,872		456,872
Profit and loss account	14		171,076		112,736
<b>Shareholders' funds</b>			627,948		569,608

These financial statements were approved by the board of directors on 14 July 2008 and were signed on its behalf by:



AV Unitt  
Finance Director

**Reconciliation of movements in shareholders' funds**  
*for the period ended 24 February 2008*

	43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
Profit/(loss) for the financial period	58,340	(5,443)
Opening shareholders' funds	569,608	575,051
Closing shareholders' funds	<u>627,948</u>	<u>569,608</u>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

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 25 October 2009. 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 Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare Group accounts. These financial statements present information about the Company as an individual undertaking and not about its Group.

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

As the Company is a wholly owned subsidiary of FLP2 Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. The largest Group in which the results of the Company are consolidated is that headed by FLP2 Limited, the ultimate parent Company, incorporated in the UK. The smallest Group in which they are consolidated is that headed by FW No 4 Limited, the controlling parent Company, incorporated in the UK. The consolidated financial statements of the Group can be obtained from the address in note 15.

#### *Investments*

Investments are stated at valuation less full provision for any impairment in value.

#### *Taxation*

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. In accordance with FRS 19 deferred tax liabilities are provided for in full, deferred tax assets are recognised to the extent that they are expected to be recoverable in the foreseeable future. No discounting has been applied to the deferred tax provision.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Classification of financial instruments issued by the Company*

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

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

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

### 2 Exceptional items

	43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
Administration		
Refinancing costs	1,947	564
Exceptional operating costs	<u>1,947</u>	<u>564</u>
Other exceptional finance income		
Gain on settlement of Mezzanine Notes valued at redemption price	<u>(60,000)</u>	<u>-</u>

Refinancing costs relate to the strategic review of future options of the Group which was concluded by way of the acquisition of the Group by Cerberus European Investments LLC

Gain on settlement of Mezzanine Notes valued at redemption price relates to the offer of 40p per £1 nominal value for the mezzanine notes as part of the acquisition of the Group by Cerberus. The redemption price was accepted by 92.04% of the mezzanine note holders, this was a majority vote and the remaining mezzanine notes were valued at 40p in the £1

The tax effect of exceptional items is £nil (2007 £nil)

## Notes (continued)

### 3 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging

	43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
<i>Auditors remuneration</i>		
Audit of these financial statements	7	8
	<hr/>	<hr/>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, FW No 4 Limited

### 4 Remuneration of directors

The directors receive no remuneration from the Company in their capacity as directors. All remuneration is provided by another Group undertaking, Focus (DIY) Limited.

	Number of directors 24 February 2008	29 April 2007
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	5	4
Defined benefit schemes	-	2
	<hr/>	<hr/>

### 5 Staff numbers and costs

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

	Number of employees 43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
Administration	5	4
	<hr/>	<hr/>

The aggregate payroll costs of these employees is borne by another Group undertaking, Focus DIY Limited

### 6 Other interest receivable and similar income

	43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
Mezzanine note interest waived	6,011	-
	<hr/>	<hr/>

## Notes (continued)

### 7 Interest payable and similar charges

	43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
Other loans	2,255	4,661
Amortisation of capitalised debt issue costs	99	210
Accelerated amortisation of capitalised debt issue costs	3,341	-
	<u>5,695</u>	<u>4,871</u>

### 8 Taxation

	43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
<i>Analysis of charge in period</i>		
<i>Current tax</i>		
UK corporation tax on profit/(loss) for the period	-	-
Adjustments in respect of prior period	-	-
Total current tax (see below)	<u>-</u>	<u>-</u>

#### *Factors affecting tax charge for the period*

The current tax charge for the period is lower (2007 lower) than the standard rate of corporation tax in the UK 30% (2007 30%). The differences are explained below

	43 weeks 24 February 2008 £000	26 weeks 29 April 2007 £000
Profit/(loss) on ordinary activities before taxation	<u>58,340</u>	<u>(5,443)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 30%)	17,502	(1,633)
<i>Effects of</i>		
Non taxable expenses	598	170
Non Taxable income	(16,574)	-
Movement in other timing differences	(1,127)	1,127
Group relief sold at less than prevailing rate	(399)	(20,880)
UK Transfer pricing adjustment	-	21,216
	<u>-</u>	<u>-</u>
Current tax charge for period (see above)	<u>-</u>	<u>-</u>

## Notes (continued)

### 9 Fixed asset investments

Shares in Group  
undertakings  
24 February 2008  
£000

Cost

At beginning and end of period

-

The principal undertakings in which the Company's interest at the period end is more than 20% are as follows

Subsidiary undertakings	Country of incorporation	Principal activity	Percentage and class of shares held	
			Indirect Ordinary	Direct Ordinary
Focus DIY(Investments) Ltd	UK	Intermediate holding Company	-	100%
Focus No 1 Limited	UK	Intermediate holding Company	100%	-
Focus Retail Group Limited	UK	Intermediate holding Company	100%	-
Focus Group (Finance) Limited	UK	Intermediate holding Company	100%	-
Focus (DIY) Limited	UK	Retail operator of DIY superstores	100%	-
Do It All Limited	UK	Retail operator of DIY superstores	100%	-

### 10 Debtors

	24 February 2008 £000	29 April 2007 £000
Amounts owed by Group undertakings	747,406	798,698

### 11 Creditors: amounts falling due within one year

	24 February 2008 £000	29 April 2007 £000
Amounts owed to Group undertakings	116,260	128,750
Accruals and deferred income	14	3,781
	116,274	132,531

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year

	24 February 2008 £000	29 April 2007 £000
Mezzanine notes	3,184	100,000
Less future finance charges	-	(3,441)
	<u>3,184</u>	<u>96,559</u>

As part of the acquisition of the group headed by FW No 4 Limited on the 26 July 2007 the debt of the Group was restructured. An offer of 40p per £1 nominal value for the £100m mezzanine notes was accepted by 92.04% of the mezzanine note holders and the mezzanine notes were delisted from the Irish Stock Exchange. The remaining 7.96% have ceased accruing interest and will be redeemed at 40p per £1 in 2015. Accrued interest of £6,011,000 up to 26 July 2007 on the Mezzanine notes was waived.

### 13 Called up share capital

	24 February 2008 £000	29 April 2007 £000
<i>Authorised</i>		
Ordinary shares of £1 each	456,872	456,872
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>456,872</u>	<u>456,872</u>

### 14 Reserves

	Profit and loss account £000
<i>Company</i>	
At beginning of period	112,736
Retained profit for the financial period	58,340
<b>At end of period</b>	<u><b>171,076</b></u>



**Notes** *(continued)*

**15 Ultimate parent Company**

At the period end FLP2 Limited was the ultimate parent Company incorporated in the UK and FW No 4 Limited was the controlling parent Company incorporated in the UK

The largest Group in which the results of the Company have been consolidated is headed by FLP2 Limited. The smallest Group in which the results of the Company have been consolidated is FW No 4 Limited

The consolidated financial statements of the Group are available to the public and may be obtained from:

Companies House  
Crown Way  
Cardiff  
CF4 3UZ