

FLP2 Limited

Directors' report and financial statements

Registered number 6263509

For the period ended 21 February 2010

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Contents

	Page no
Directors' Report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	5
Independent auditors' report to the members of FLP2 Limited	6
Consolidated Profit and Loss Account	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Cash Flow Statement	11
Consolidated Statement of Total Recognised Gains and Losses	12
Reconciliation of Movements in Shareholders' Funds	12
Notes	13

Directors' Report

The directors present their directors' report and financial statements for the 52 week period ended 21 February 2010 (2009 52 weeks ended 22 February 2009)

Principal activity

The principal activity of the Group is the retail operation of DIY and Gardening Superstores. The principal activity of the Company is that of a holding company.

Cerberus European Investments LLC has the ability to exercise a controlling influence over the Group through the owning of shares in the parent Company.

Business review

Introduction

The trading environment within which the Group has operated, in the 12 months to February 2010, has remained extremely competitive.

However, the Group addressed the major issues it faced and is now significantly better placed than at the start of the period in February 2009. Two events in particular – the Company Voluntary Arrangement, addressing onerous lease costs of closed stores, and a two year extension of the Revolving Credit Facility (RCF) to 31 December 2011, which both concluded in September 2009, have transformed the future prospects for the Group. These build on the significant steps made in the development of our customer proposition and improvements in operational efficiency and in-store standards.

Key to all of the Group's achievements has been the determination of Focus colleagues, the full support of our suppliers, who have continued to operate without the option of credit insurance cover, and the commitment of our principal shareholder, Cerberus. Our thanks go to all of these stakeholders for their contribution to the Group's progress.

Company Voluntary Arrangement

Following the acquisition by Cerberus in July 2007, Hilco were appointed to support the Group in the repositioning and sale of 52 loss making stores and a further 24 profitable stores which were sold and closed in the period. As a consequence of the economic conditions the marketing of the loss making stores to potential occupiers was only a partial success. The Group was left with 20 sites in addition to 18 redundant properties inherited on acquisition, and these properties remained within the portfolio as at February 2009.

In August 2009, four Group Companies, namely Focus (DIY) Limited, Do It All Limited, Focus No1 Limited and Payless DIY Limited, entered into a Company Voluntary Arrangement with their creditors by which the onerous lease costs and guarantees associated with non-trading properties were compromised through the payment of a dividend in two tranches in January 2010 and April 2010. This limits the liability on these properties to the payment of business rates until the leases are assigned reducing forecast annual cash outflows from £12m to £3.5m.

A further element of the Company Voluntary Arrangement is the monthly payment of rent on all trading properties until March 2011, which has the benefit of smoothing cash flows.

The two dividends, payable to compromised landlords under the terms of the CVA, have both been made to the CVA Supervisor on the due dates. The onerous lease provision within the financial statements is in line with the provisions within the Company Voluntary Arrangement and no significant adjustment is anticipated in the future.

Directors' report *(continued)*

Trading performance

The results for 2010 reflect the trading activity for a 52 week period to 21 February 2010 and the comparative information is for a 52 week period to 22 February 2009

Sales in 2010 were £486.9m and like-for-like sales declined by 3.6% reflecting the challenging trading environment. The Group continued to invest in new ranges, improved stock availability and the development of own brand ranges. We have continued to expand the Payless brand, a range of value for money, entry level products. By February 2010, the range had been extended to 1,234 products, representing 9% of sales. Further brand development has been undertaken on a range of products under the 'World of' brand, in four specific areas: World of Colour, World of Lighting, World of Home and World of Gardening.

Eleven stores have now been opened in a new format, under a project internally code named 'Genesis', including six stores converted between January to March 2010. The results from these stores, together with feedback from our customers and additional research, will shape future store development.

Operating profit (before exceptional costs and goodwill amortisation – see note 3) was £5.8m (2009: £7.8m profit). Operating profit in 2010 included £1.7m of one off reverse premium receipts (2009: £3.1m). Performance in 2010 benefited from the major cost reduction programme undertaken in October 2008 and tight cost controls throughout the year which offset the decline in sales.

Cash flow

Cash outflow in 2010 was £4.5m which included £8.2m of one off cash outflows relating to dark properties and £3.3m relating to the CVA and renewal of banking facilities. Capital investment was £7.0m and interest payments totalled £2.1m.

For the second year, stock levels have been reduced significantly and payments to suppliers remain in line with agreed terms. The Group has operated within its working capital facilities and passed all banking covenants.

Goodwill

Following the impairment of goodwill in the prior year, the goodwill carrying value has been reviewed in accordance with FRS11 Impairment of Fixed Assets and Goodwill. No impairment has been made in 2010.

Going Concern and Liquidity Management

In August 2009, the Group reached agreement with its RCF lenders to extend the current £50m facility for a period of two years to December 2011. The directors have a reasonable expectation that, for the foreseeable future, the Group can operate within the agreed Revolving Credit Facility and satisfy liabilities arising on financing obligations and banking covenants. With this in mind, the directors have formally considered and concluded that the preparation of financial statements on a going concern basis is appropriate. Further details are shown in the "Basis of preparation" section of Note 1 to the financial statements.

Outlook

In the next 12 months we will continue to invest in range changes, improve store standards, aim to grow our market share, grow profits ahead of sales and continue to develop our new format under the Genesis project for the renewal of the store estate once the economy picks up. We will manage cash through strict control on capital investment and improved stock turn.

Principal risks and uncertainties

Commercial Risks

We operate in a highly competitive industry where some of our competitors are larger and have more resources. In addition, adverse economic conditions in the United Kingdom may affect our results.

Processes to manage the impact on the business of each of these 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.

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

Operational Risks

Health and safety, employer 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.

Key Performance Indicators

Management uses a range of performance measures to monitor and manage the business. A certain number of these are particularly important in the generation of shareholder value and are considered key performance indicators or KPI's.

The KPI's used in the business are as follows

- Like for Like store sales,
- Electronic Point of Sale Margin plus Other Margin Adjustments versus plan,
- Earnings before interest, tax, depreciation and amortisation (EBITDA) versus plan,
- Trading earnings before interest, tax, depreciation and amortisation (Trading EBITDA) versus plan, and
- Cash generated from operations versus plan

Directors

The directors who held office during the period were as follows

W Grumsey
J Lomasky
A Wolf
G Strong

Employees

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 donations to UK charities and a number of community projects by way of cash, gifts in kind and donations of human resources. The Group has donated an estimated £0.1m (2009 £0.1m) during the period. Additionally employees of the Group participated in numerous fund raising activities. The Group made no political contributions during the period.

Directors' report *(continued)*

Policy and practice on payment of creditors

The Group is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the Group's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The Company itself had no trade creditors at 21 February 2010 (2009 £nil)

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 Group'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 Group's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board



W Grimsey
Chairman

Gawsworth House
Westmere Drive
Crewe
Cheshire
CW1 6XB

16th June 2010

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 year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of FLP2 Limited

We have audited the financial statements of FLP2 Limited for the 52 weeks ended 21 February 2010 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 21 February 2010 and of the group's loss for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of FLP2 Limited *(continued)*

Matters on which we are required to report by exception

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

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

Nicola Quayle

**Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants
St James' Square
Manchester
M2 6DS

18 JUL 2010

Consolidated Profit and Loss Account
for the period ended 21 February 2010

	<i>Note</i>	52 weeks 21 February 2010 Continuing operations			52 weeks 22 February 2009 Continuing operations		
		Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	Goodwill & exceptional items	Total
		£m	£m	£m	£m	£m	£m
Turnover	2	486.9	-	486.9	501.9	-	501.9
Cost of sales	3	(346.7)	1.3	(345.4)	(363.1)	2.4	(360.7)
Gross profit		140.2	1.3	141.5	138.8	2.4	141.2
Distribution costs	3	(106.6)	-	(106.6)	(107.6)	-	(107.6)
Administrative expenses							
- Goodwill amortisation and impairment	3	-	(7.3)	(7.3)	-	(73.4)	(73.4)
- Other administrative expenses	3	(27.8)	(4.0)	(31.8)	(23.4)	(7.4)	(30.8)
Total administrative expenses		(27.8)	(11.3)	(39.1)	(23.4)	(80.8)	(104.2)
Operating profit/(loss)		5.8	(10.0)	(4.2)	7.8	(78.4)	(70.6)
Other interest receivable and similar income	7			0.1			0.9
Interest payable and similar charges	8			(15.4)			(24.6)
Other finance charges	24			(1.5)			(1.0)
Loss on ordinary activities before taxation				(21.0)			(95.3)
Tax on loss on ordinary activities	9			-			(0.1)
Loss for the financial period				(21.0)			(95.4)

The notes on pages 13-33 form a part of these financial statements

All results for the financial year and the previous year relate to continuing operations

Consolidated Balance Sheet
at 21 February 2010

	<i>Note</i>	21 February 2010 £m	22 February 2009 £m
Fixed assets			
Intangible assets	11	127.5	134.8
Tangible assets	12	54.2	58.6
		<u>181.7</u>	<u>193.4</u>
Current assets			
Stocks	14	78.8	91.2
Debtors	15	10.9	12.3
Cash at bank and in hand	16	0.3	0.6
		<u>90.0</u>	<u>104.1</u>
Creditors: amounts falling due within one year	17	(123.2)	(132.7)
Net current liabilities		(33.2)	(28.6)
Total assets less current liabilities		148.5	164.8
Creditors: amounts falling due after more than one year	18	(273.5)	(260.9)
Provisions for liabilities	19	(10.6)	(18.5)
Net liabilities excluding pension liabilities		(135.6)	(114.6)
Pension liabilities	24	(17.9)	(13.6)
Net liabilities including pension liabilities		(153.5)	(128.2)
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account	21	(153.5)	(128.2)
Shareholders' deficit		(153.5)	(128.2)

The notes on pages 13-33 form a part of these financial statements

These financial statements were approved by the board of directors on 16th June 2010 and were signed on its behalf by



W Grimsey
 Chairman

Company Balance Sheet
at 21 February 2010

	<i>Note</i>	21 February 2010 £m	22 February 2009 £m
Fixed assets			
Investments	<i>13</i>	2 3	2 3
Current assets			
Debtors	<i>15</i>	82.6	82 6
Net current assets		82 6	82 6
Creditors: amounts falling due after more than one year	<i>18</i>	(85 0)	(85 0)
Net liabilities		(0 1)	(0 1)
Capital and reserves			
Called up share capital	<i>20</i>	-	-
Profit and loss account	<i>21</i>	(0 1)	(0 1)
Shareholders' deficit		(0 1)	(0 1)

The notes on pages 13-33 form a part of these financial statements

These financial statements were approved by the board of directors on 16th June 2010 and were signed on its behalf by



W Grimsey
 Chairman

Consolidated Cash Flow Statement
for the period ended 21 February 2010

	<i>Note</i>	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Cash inflow/(outflow) from operating activities	25	5.3	(28.2)
Returns on investments and servicing of finance			
Interest received		0.1	0.9
Loan interest paid		(2.1)	(7.4)
Interest element of finance lease rental payments		(0.3)	(0.1)
		<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance		(2.3)	(6.6)
Capital expenditure			
Purchase of tangible fixed assets		(7.0)	(10.6)
		<hr/>	<hr/>
Net cash outflow for capital expenditure		(7.0)	(10.6)
		<hr/>	<hr/>
Cash outflow before financing		(4.0)	(45.4)
Net cash outflow from acquisitions		-	-
Financing			
Capital element of finance lease rental payments		(0.5)	(1.1)
		<hr/>	<hr/>
Net cash outflow from financing		(0.5)	(1.1)
		<hr/>	<hr/>
Decrease in cash for the period		(4.5)	(46.5)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13-33 form a part of these financial statements

Consolidated Statement of Total Recognised Gains and Losses
for the period ended 21 February 2010

	Notes	52 weeks 21 February 2010		52 weeks 22 February 2009	
		Group £m	Company £m	Group £m	Company £m
Loss for the financial period		(21.0)	-	(95 4)	(0 3)
Actuarial loss recognised in the pension scheme	24	(7.6)	-	(7 5)	-
Special contributions into the pension scheme		1.6	-	11 9	-
Deferred tax arising on net losses in the pension scheme		1.7	-	(1 2)	-
Total recognised losses relating to the financial period		(25.3)	-	(92 2)	(0 3)

Reconciliation of Movements in Shareholders' Funds
for the period ended 21 February 2010

	52 weeks 21 February 2010		52 weeks 22 February 2009	
	Group £m	Company £m	Group £m	Company £m
Retained loss for the financial period	(21.0)	-	(95 4)	(0 3)
Other recognised (losses)/gains relating to the financial period	(4.3)	-	3 2	-
Net reduction in shareholders' funds	(25.3)	-	(92 2)	(0 3)
Opening shareholders' (deficit)/funds	(128.2)	(0.1)	(36 0)	0 2
Closing shareholders' deficit	(153.5)	(0.1)	(128 2)	(0 1)

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

The following amendments to standards have been adopted in these financial statements for the first time

The amendment to FRS 8 Related Parties Disclosures (mandatory for periods beginning on/after 6 April 2008) The amendment has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in the parent Company's own financial statements

The amendment to FRS 21 Events after the balance sheet date (mandatory for periods starting on/after 1 January 2009) to confirm no obligation exists at the balance sheet date for dividends declared after that date

The following new and amendments to standards are not yet effective

- Amendment to FRS 25 Financial Instruments Presentation (mandatory for periods starting on/after 1 January 2010)

Basis of preparation

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 1 to 4, along with a description of the financial position of the Group, its cash flows, liquidity position and borrowing facilities

The Group meets its day to day working capital requirements through a £50m Revolving Credit Facility that is due for renewal in December 2011 Although there is some considerable time before the facility expires, work has already commenced with external advisors on a re-financing process

The directors have considered the future profitability of the Group and have prepared profit and cash flow forecasts for the period up to February 2012 These projections indicate that the banking covenants attached to the Group's facilities will be complied with throughout the forecast period and that the facilities should provide sufficient working capital for the Group for the whole of the period

The directors have further considered a number of reasonably possible changes to the forecasts to reflect the inherent uncertainty in the current economic climate The directors are satisfied that, taking account of these changes, there is sufficient flexibility in the overhead cost base and discretionary spend lines, together with flexibility in the working capital forecasts, to allow the Group to meet its projected working capital requirements and liabilities arising on financing and investment obligations and to meet its banking covenants

After making enquiries, including in relation to the continued commitment of the Group's major shareholders, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings for the period ended 21 February 2010 Unless otherwise stated, the acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold property	-	over the life of the lease
Fixtures and equipment		
Computer equipment	-	33 33% straight line
Other fixtures and equipments	-	10% - 20% straight line

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 30 May 2007, the date of incorporation, is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is amortised over 20 years on all acquisitions included in these financial statements.

In the Company's financial statements investments in subsidiary undertakings are stated at the lower cost and net realisable value.

Leases

Payments made under an arrangement which, in substance, is of a rental nature ("operating lease"), are charged to the profit and loss account on a straight-line basis over the term of the operating lease.

Where the Company acquires the economic benefits of the use of an asset under a lease purchase or finance lease agreement, the asset is capitalised and depreciated as if it had been purchased outright.

For sale and leaseback agreements the commercial substance of the leaseback is taken into account when deciding on the correct accounting treatment. For sale and leaseback agreements that are of a rental nature ("operating lease"), any profit on disposal is recognised immediately in the profit and loss account.

Incentives received to enter into a lease agreement are recognised in the profit and loss account over the shorter of the lease and the period to the next rent review.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Post retirement benefits

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. The assets of the money purchase scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

The Group also operates two defined benefit schemes, which are the Focus Pension Scheme and the Do It All Pension Scheme. All of the Group's defined benefit schemes are closed to new entrants and there are no benefits accruing. The assets of the schemes are held separately from those of the company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Asset impairment

Intangible and tangible fixed assets are tested for impairment in accordance with FRS 11. An impairment loss is recognised to the extent that the carrying amount of these assets exceeds their recoverable amount.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises the purchase cost of goods and where appropriate cost related to storage and distribution less an amount relating to purchase rebates received from suppliers.

Rebates received from suppliers

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 accounts in the period in which they are earned.

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period less a deduction for actual and expected returns.

Turnover is recognised on despatch of goods to the customer, and is all within the UK.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

Financial instruments issued by the Group 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 are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Derivatives and other financial instruments

The Group's financial instruments, other than derivatives, comprise cash and liquid resources, and various items such as trade debtors, trade creditors etc that arise directly from its operations. The principle derivative instruments used by the Group are forward foreign currency contracts. Gains or losses on forward foreign currency contracts are recognised when the hedged position matures.

Cash and liquid resources

Cash for the purpose of the cash flow statement, comprises cash in hand and on deposit, less overdrafts payable on demand.

2 Segmental reporting

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

Notes (continued)

3 Goodwill amortisation and exceptional items

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Cost of sales		
Store portfolio restructuring income	(1.3)	(2.4)
Administration		
Refinancing costs	3.7	-
Restructure and alignment costs	0.3	7.4
Exceptional operating items	2.7	5.0
Goodwill amortisation	7.3	10.5
Goodwill impairment	-	62.9
Total goodwill amortisation and exceptional items	10.0	78.4

Store portfolio restructuring income in 2010 relates to a decrease in the onerous lease provision and rent review accrual, applying the terms of the Company Voluntary Arrangement ('CVA') which states that FLP2 Limited has now discharged its rental obligations in respect of the non-trading stores included within the CVA. In 2009, store portfolio restructuring income related to store closure income of £8.0m, net of closure costs of the Severnside distribution centre and a decrease in the onerous lease provision in respect of non-trading stores.

Refinancing costs in 2010 relate to fees incurred in respect of the CVA, which was entered into in August 2009, and to the extension of the Revolving Credit Facility for a period to 31 December 2011.

Restructure and alignment costs in 2010 and 2009 relate to organisational restructures at stores and head office.

The impairment of goodwill in 2009 was calculated in accordance with FRS11 'Impairment of Fixed Assets and Goodwill', by reference to an assessment of estimated market value and discounted forecast future cash flows. In determining the discounted future cash flows a discount rate of 13.19% was applied. In 2010 an impairment review was performed which concluded there were no indications of impairment to the carrying value of goodwill.

The tax effect of exceptional items is £nil (2009 £nil).

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Hire of other assets – operating leases		
Land and buildings	59.1	58.7
Plant and machinery	1.9	2.1
Loss on sale of fixed assets	0.4	1.4
Depreciation		
Owned	9.4	10.0
Leased	0.5	0.9
Amortisation of goodwill	7.3	10.5
Impairment of goodwill	-	62.9

Notes (continued)

4 Loss on ordinary activities before taxation (continued)

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
<i>Auditors' remuneration</i>		
Audit of these financial statements	-	-
<i>Amounts receivable by the auditors and their associates in respect of</i>		
Audit of financial statements of subsidiaries pursuant to legislation	0.1	0.1
Services relating to corporate finance transactions entered into on behalf of the Company or the Company's subsidiaries	0.6	0.1
Other services relating to taxation	0.1	0.1
	<u>0.8</u>	<u>0.2</u>

Fees paid by FLP2 Limited to the auditors for audit services to the Company were £10,000 (2009 £10,000)

5 Remuneration of directors

The remuneration for the board of directors in the Group is as follows

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Directors' emoluments	2.0	3.1
Company contributions to money purchase schemes	0.3	0.4
Compensation for loss of office	0.2	0.1
	<u>2.5</u>	<u>3.6</u>

Remuneration received by directors of the statutory entity totalled £0.8m (2009 £0.8m). The aggregate of emoluments of the highest paid director was £656,040 (2009 £641,779) and company pension contributions of £94,250 (2009 £127,146) were made to a money purchase scheme on his behalf.

Number of directors

	21 February 2010	22 February 2009
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

6 Staff numbers and costs

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

	21 February 2010	22 February 2009
Sales	4,012	4,664
Administration	322	349
	<u>4,334</u>	<u>5,013</u>

Notes (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Wages and salaries	61.3	62.5
Social security costs	4.6	5.1
Other pension costs	1.1	1.1
	<u>67.0</u>	<u>68.7</u>

7 Other interest receivable and similar income

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Bank interest	0.1	0.9
	<u>0.1</u>	<u>0.9</u>

8 Interest payable and similar charges

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Bank loans and overdrafts	13.2	20.2
Finance charges payable in respect of finance leases and hire purchase contracts	0.3	0.1
Amortisation of capitalised debt issue costs	1.0	0.9
Discounted provisions		
Unwinding of discount	0.9	2.2
Effect of change in discount rate	-	1.2
	<u>15.4</u>	<u>24.6</u>

Notes (continued)

9 Taxation

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
<i>Analysis of (credit)/charge in period</i>		
<i>Current tax</i>		
UK corporation tax on loss for the period	-	-
Adjustment in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax (see below)	-	-
<i>Deferred tax</i>		
Adjustments in respect of pensions	-	0.1
	<hr/>	<hr/>
Total tax (credit)/charge	-	0.1
	<hr/>	<hr/>

Factors affecting tax (credit)/charge for the period

The current tax (credit)/charge for the period is lower (2009 lower) than the standard rate of corporation tax in the UK 28% (2009 28%). The differences are explained below

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Loss on ordinary activities before taxation	(21.0)	(95.3)
	<hr/>	<hr/>
Loss on ordinary activities before taxation on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(5.9)	(26.7)
<i>Effects of</i>		
Expenses not deductible for tax purposes	1.1	2.8
Amortisation of goodwill	2.0	20.6
Movement in other timing differences	2.8	3.3
	<hr/>	<hr/>
Current tax (credit)/charge for period (see above)	-	-
	<hr/>	<hr/>

Factors that may affect future tax charges

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years

As at 21 February 2010 there is a deferred tax asset of £76.0m (2009 £72.9m) which has not been recognised on the balance sheet due to the uncertainty of future events. To the extent that the asset unwinds in future periods the effective tax rate will reduce accordingly

10 Company profit for the financial period

The profit for the financial period dealt with in the financial statements of the Company is £nil (2009 £0.3m loss)

Notes (continued)

11 Intangible fixed assets

Group	Goodwill £m
Cost	
At beginning and end of period	214.4
Amortisation	
At beginning of period	79.6
Charged in period	7.3
At end of period	86.9
Net book value	
At 22 February 2009	134.8
At 21 February 2010	127.5

The directors consider each acquisition separately for purposes of determining the amortisation period of any goodwill that arises. Goodwill is amortised over 20 years on all acquisitions in these financial statements.

In accordance with FRS 11, a review was performed to establish whether or not there were any indications of impairment to the carrying amount of goodwill. The review concluded that there were no such indications.

12 Tangible fixed assets

Group	Short leasehold property £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At beginning of period	12.9	130.3	143.2
Additions	0.4	5.5	5.9
Disposals	(0.1)	(2.7)	(2.8)
At end of period	13.2	133.1	146.3
Depreciation			
At beginning of period	0.9	83.7	84.6
Charged in the period	0.9	9.0	9.9
Disposals	-	(2.4)	(2.4)
At end of period	1.8	90.3	92.1
Net book value			
At 21 February 2010	11.4	42.8	54.2
At 22 February 2009	12.0	46.6	58.6

Notes (continued)

12 Tangible fixed assets (continued)

Included in the total net book value of fixtures, fittings, tools and equipment is £1.5m (2009 £2.0m) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £0.5m (2009 £0.9m).

The Company does not hold any fixed assets.

13 Fixed asset investments

	Shares in group Undertakings £m
<i>Cost</i>	
At beginning and end of period	2.3

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

Subsidiary undertaking	Country of incorporation	Principal activity	Percentage and class of shares held	
			Indirect Ordinary	Direct Ordinary
FW No 4 Ltd	UK	Intermediate holding Company	-	100%
Focus DIY (Finance) plc	UK	Intermediate holding Company	100%	-
Focus DIY (Investments) Ltd	UK	Intermediate holding Company	100%	-
Focus No 1 Ltd	UK	Intermediate holding Company	100%	-
Focus Retail Group Ltd	UK	Intermediate holding Company	100%	-
Focus Group (Finance) Ltd	UK	Intermediate holding Company	100%	-
Focus (DIY) Ltd	UK	Retail operator of DIY superstores	100%	-
Do It All Ltd	UK	Retail operator of DIY superstores	100%	-

14 Stocks

	Group 21 February 2010 £m	Company 21 February 2010 £m	Group 22 February 2009 £m	Company 22 February 2009 £m
Finished goods and goods for resale	78.8	-	91.2	-

15 Debtors

	Group 21 February 2010 £m	Company 21 February 2010 £m	Group 22 February 2009 £m	Company 22 February 2009 £m
Trade debtors	3.1	-	3.1	-
Amounts owed by group undertakings	-	82.6	-	82.6
Prepayments and accrued income	7.8	-	9.2	-
	10.9	82.6	12.3	82.6

Amounts owed by group undertakings are receivable on demand and accrue no interest.

Trade debtors, prepayments and accrued income are all receivable within one year.

Notes (continued)

16 Cash

	Group 21 February 2010 £m	Company 21 February 2010 £m	Group 22 February 2009 £m	Company 22 February 2009 £m
Cash at bank and in hand	0.3	-	0.6	-

17 Creditors: amounts falling due within one year

	Group 21 February 2010 £m	Company 21 February 2010 £m	Group 22 February 2009 £m	Company 22 February 2009 £m
Bank loans and overdraft	37.9	-	33.7	-
Obligations under finance leases and hire purchase contracts	-	-	0.5	-
Trade creditors	50.2	-	59.0	-
Corporation tax and other taxation and social security	5.6	-	4.6	-
Other creditors	9.0	-	9.2	-
Accruals and deferred income	20.5	-	25.7	-
	<u>123.2</u>	<u>-</u>	<u>132.7</u>	<u>-</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows

	Group 21 February 2010 £m	Group 22 February 2009 £m
Within one year	-	0.6
In the second to fifth years	-	-
	<u>-</u>	<u>0.6</u>
Less future finance charges	-	(0.1)
	<u>-</u>	<u>0.5</u>

18 Creditors: amounts falling due after more than one year

	Group 21 February 2010 £m	Company 21 February 2010 £m	Group 22 February 2009 £m	Company 22 February 2009 £m
Shares classified as liabilities	85.0	85.0	85.0	85.0
Bank loans and overdraft	188.5	-	175.9	-
	<u>273.5</u>	<u>85.0</u>	<u>260.9</u>	<u>85.0</u>

Notes (continued)

18 Creditors: amounts falling due after more than one year (continued)

The bank loan and other borrowing obligations comprise the following facilities and repayment terms

	Group 21 February 2010 £m	Group 22 February 2009 £m
Bank loans		
Senior Loan Term B – repayable in full expiring October 2013	110.0	104.8
Senior Loan Term D – repayable in full expiring October 2014	78.8	72.4
Other Loans		
Mezzanine Notes	3.2	3.2
	<u>192.0</u>	<u>180.4</u>

Senior bank loans and mezzanine notes are as follows

- The senior debt is split into Term B £100m which is repayable in 2013 and Term D £60m which is repayable in 2014, plus accrued interest
- The Term B loan is bullet payment debt and carries an interest payable of LIBOR plus 3.5%. On the 24 September 2009 it was agreed that interest on the Group's Term B debt would be capitalised until March 2011. The Term D debt of £60m is bullet payment debt maturing in 2014 and carries PIK interest payable on maturity at a rate of LIBOR plus 7%. At 31 January 2010 £18.8m of PIK interest was capitalised on the Term D debt
- The mezzanine notes have been delisted from the Irish Stock Exchange, have ceased to accrue interest and will be redeemed at 40p per £1 in 2015

The senior bank loans are secured by fixed and floating charges over the assets of the Group. The senior bank commitments also include a £50.0m revolving credit facility with a rate of interest of LIBOR plus 4.75%.

Analysis of debt	Group 21 February 2010 £m	Group 22 February 2009 £m
Bank loans can be analysed as falling due		
Two to five years	188.8	104.8
In five years or more	3.2	75.6
	<u>192.0</u>	<u>180.4</u>
Less future finance charges	(3.5)	(4.5)
	<u>188.5</u>	<u>175.9</u>

Notes (continued)

19 Provisions for liabilities

	Onerous lease provision £m
At beginning of period	(18.5)
Utilised in the period	8.2
Release for the period	0.6
Unwinding of discounted element	(0.9)
Effect of change in the discount rate	-
	<hr/>
At end of period	(10.6)
	<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 rates and, for those stores not included within the Company Voluntary Agreement, rent and service charges.

In August 2009, the Group entered into a Company Voluntary Arrangement by which the onerous lease costs and guarantees associated with non trading properties were compromised through the payment of a dividend in January 2010 and April 2010. The total onerous lease costs in relation to these properties on the date of entering the CVA were £41.0m. The amounts compromised were £37.3m. The dividend payments were £1.85m in January 2010 and £1.85m in April 2010.

The unprovided deferred tax asset under FRS19 is shown below

	21 February 2010 £m	22 February 2009 £m
Difference between accumulated depreciation and capital allowances	20.6	19.4
Other timing differences	46.9	45.0
Trading losses	8.9	8.9
Capital gain	(0.4)	(0.4)
	<hr/>	<hr/>
Deferred tax asset	76.0	72.9
	<hr/>	<hr/>

Notes (continued)

20 Called up share capital

	21 February 2010 £m	22 February 2009 £m
<i>Authorised</i>		
63,750 Ordinary A shares of £0.10 each	0.0	0.0
7,890 Ordinary B shares of £0.10 each	0.0	0.0
28,350 Ordinary C shares of £0.10 each	0.0	0.0
76,603,389 0% redeemable Preference A shares of £1 each	76.6	76.6
8,386,611 0% redeemable Preference B shares of £1 each	8.4	8.4
	<u>85.0</u>	<u>85.0</u>
	21 February 2010 £m	22 February 2009 £m
<i>Allotted, called up and fully paid</i>		
Ordinary A shares of £0.10 each	0.0	0.0
Ordinary B shares of £0.10 each	0.0	0.0
Ordinary C share of £0.10 each	0.0	0.0
0% redeemable Preference A shares of £1 each	76.6	76.6
0% redeemable Preference B shares of £1 each	8.4	8.4
	<u>85.0</u>	<u>85.0</u>
Shares classified as liabilities (see note 18)	85.0	85.0
Shares classified in shareholders funds	-	-
	<u>85.0</u>	<u>85.0</u>

Ordinary shares

Every holder of an A ordinary share and B ordinary share has one vote for every A ordinary share or B ordinary share that they hold. C ordinary share holders have no right to vote but each C ordinary share holder has the right to receive notice of and attend the general meeting of the Company. Except with the consent or sanction of the holders of the preference shares, given whenever the share capital of the Company is divided into different classes of shares, the holders of ordinary shares shall not be entitled to receive any dividend until all of the preference shares have been redeemed. Subject thereof each ordinary share shall rank equally for any dividends paid thereon.

Preference shares

Preference share holders have no right to vote but each preference share holder has the right to receive notice of and attend the general meeting of the Company. Preference shareholders are not entitled to receive dividends. The premium on redemption is 13% for every year between issue and redemption.

In accordance with FRS 25 the 84,990,000 preference share capital has been classified not as equity but as debt falling due after more than one year. The debt becomes due for payment by the Company only in the event of a sale, a listing or winding up.

Notes (continued)

21 Share premium and Reserves

	Profit and loss account £m
Group	
At beginning of period	(128.2)
Loss for the financial period	(21.0)
Actuarial loss relating to net pension liabilities	(6.0)
Deferred tax associated with actuarial loss relating to net pension liabilities	1.7
At end of period	(153.5)
Company	
At beginning of period	(0.1)
Loss for the financial period	-
At end of period	(0.1)
	21 February 2010
	£m
Profit and loss reserve excluding pension liability	(135.6)
Pension liability	(17.9)
Profit and loss reserve including pension liability	(153.5)

22 Contingent liabilities

	21 February 2010 £m	22 February 2009 £m
Guarantees in favour of HM Revenue and Customs	0.3	0.3
Other guarantees	2.9	3.4
	3.2	3.7

Other guarantees relate to letters of credits with overseas suppliers and guarantees provided to energy suppliers

Notes (continued)

23 Commitments

Annual commitments under non-cancellable operating leases are as follows

	21 February 2010		22 February 2009	
	Land and buildings	Other	Land and buildings	Other
	£m	£m	£m	£m
Operating leases which expire				
Within one year	1.7	0.1	0.1	0.2
In the second to fifth years inclusive	9.9	0.9	12.3	0.7
Over five years	52.0	0.1	59.8	0.3
	<hr/>	<hr/>	<hr/>	<hr/>
	63.6	1.1	72.2	1.2
	<hr/>	<hr/>	<hr/>	<hr/>

There were no capital commitments at the end of the financial period (2009 £nil)

24 Pension Scheme

Defined contribution pension scheme

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.

The total pension cost included within the operating cost of the Group, which is disclosed in note 6 to the accounts, is derived as follows

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Focus Money Purchase Scheme	1.1	1.1
	<hr/>	<hr/>

Included in creditors is a pension contribution accrual of £0.1m (2009 £0.1m)

Defined benefit pension scheme

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.

Do It All Pension Scheme

The latest formal independent actuarial valuation of the Do It All Pension Plan was performed on April 2007 and was updated for FRS17 purposes to 21 February 2010 by a qualified independent actuary.

Focus Pension Scheme

The latest formal independent actuarial valuation of the Focus Pension Plan was performed on April 2007 and was updated for FRS17 purposes to 21 February 2010 by a qualified independent actuary.

Notes (continued)

24 Pension scheme (continued)

	21 February 2010 £m	22 February 2009 £m
Equities	27.6	23.8
Bonds	-	29.9
Property	6.9	2.8
Other	0.4	0.4
LDI portfolio	27.5	-
	<hr/>	<hr/>
Fair value of plan assets	62.4	56.9
Present value of unfunded defined benefit obligations	(87.3)	(75.8)
	<hr/>	<hr/>
Deficit in the plans	(24.9)	(18.9)
Deferred tax asset	7.0	5.3
	<hr/>	<hr/>
Net pension liabilities	(17.9)	(13.6)
	<hr/>	<hr/>

The Liability Driven Investments ('LDI') portfolio seeks to ensure that assets and liabilities track each other over time, matching the future cash inflows from bonds with the future cash requirements of the pension scheme. It also reduces volatility. The trustees of the Focus Pensions plan and the Do It All Pensions plan commenced consultation with the Group on a change of investment strategy in September 2008 and adjusted the asset holding accordingly with a change in investment split (reduction in equities) and switch from bonds to LDI in March 2009.

None of the fair value of the assets of the schemes included any of the company's own financial instruments or any property occupied by or other assets used by the company.

Movement in present value of defined benefit obligations

	21 February 2010 £m	22 February 2009 £m
At beginning of period	75.8	84.9
Interest cost	4.8	5.1
Actuarial losses/(gains)	9.7	(12.4)
Benefits paid	(3.0)	(1.8)
	<hr/>	<hr/>
At end of period	87.3	75.8
	<hr/>	<hr/>

Notes (continued)

24 Pension scheme (continued)

Movement in fair value of plan assets

	21 February 2010 £m	22 February 2009 £m
At beginning of period	56.9	61.1
Expected return on scheme assets	3.3	4.1
Actuarial gains/(losses)	2.1	(19.9)
Contributions by employer	1.5	1.5
Special contributions	1.6	11.9
Benefits paid	(3.0)	(1.8)
	<hr/>	<hr/>
At end of period	62.4	56.9
	<hr/>	<hr/>

Expenses recognised in the profit and loss account

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Interest cost on defined benefit pension plan obligations	4.8	5.1
Expected return on scheme assets	(3.3)	(4.1)
	<hr/>	<hr/>
Total	1.5	1.0
	<hr/>	<hr/>

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is £7.6m loss (2009 £7.5m loss)

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses since incorporation are a loss of £8.5m (2009 £0.9m loss)

The expense is recognised in the following line item in the profit and loss account

	52 weeks 21 February 2010 £m	52 weeks 22 February 2009 £m
Other finance charges	1.5	1.0
	<hr/>	<hr/>

Notes (continued)

24 Pension Scheme (continued)

Expected long term rates of return

The expected long term return on cash is equal to bank interest rates. The expected return on bonds is determined by reference to UK long dated gilt and bond yields. The expected rate of return on equities and property has been determined by setting an appropriate risk premium above gilt and bond yields having regard to market conditions.

	Expected long term return 21 February 2010	Expected long term return 22 February 2009
	%	%
Equities	7.20	7.75
Bonds	4.75	5.00
Property	6.70	7.25
LDI Portfolio	5.00	N/A
Cash	1.00	5.25
Overall for the scheme	5.85	6.84

Principal actuarial assumptions

	21 February 2010	22 February 2009
	%	%
Rate of general increase in salaries	-	-
Rate of increase to pensions in payment	3.30	3.25
Revaluation rate for deferred pensioners	3.30	3.25
Discount rate for scheme liabilities	5.85	6.50
Inflation	3.30	3.25

The assumptions relating to longevity underlying the pension liabilities at the balance sheet are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 21.2 years (male), 24.1 (female)
- Future retiree upon reaching 65: 22.4 years (male), 25.2 (female)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

History of the schemes

	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	62.4	56.9	61.1
Present value of scheme liabilities	87.3	(75.8)	(84.9)
Deficit in scheme	(24.9)	(18.9)	(23.8)
Experience adjustments on scheme liabilities	-	-	-
Experience adjustments on scheme assets	2.1	(19.9)	(7.7)

The Company expects to contribute approximately £1.5m to its defined benefit scheme in the next financial year.

Notes (continued)

25 Reconciliation of operating loss to operating cash flows

	21 February 2010 £m	22 February 2009 £m
Operating loss	(4.2)	(70.6)
Depreciation/fixed asset impairment	9.9	10.9
Amortisation/impairment of goodwill	7.3	73.4
Loss on sale of fixed assets	0.4	1.4
Decrease in stocks	12.4	25.6
Decrease in debtors	1.4	1.0
Decrease in creditors	(11.6)	(51.1)
Decrease in provisions	(8.8)	(17.3)
Decrease in pensions liabilities	(1.5)	(1.5)
Net cash inflow/(outflow) from operating activities	5.3	(28.2)

26 Reconciliation of net cash flow to movement in net debt

	21 February 2010 £m	22 February 2009 £m
Decrease in cash for the period	(4.5)	(46.5)
Cash outflow from decrease in debt and lease financing	0.5	1.1
Other non cash movements	(4.0)	(45.4)
PIK interest	(11.6)	(17.1)
Net decrease in unamortised loan issue costs	(1.0)	(0.9)
Movement in net debt in the period	(16.6)	(63.4)
Net debt at beginning of period	(209.5)	(146.1)
Net debt at end of period	(226.1)	(209.5)

Notes (continued)

27 Analysis of net debt:

	At beginning of period £m	Cashflow £m	Other non cash movements £m	At end of period £m
Cash in hand and at bank/(overdraft)	(33.1)	(4.5)	-	(37.6)
Debt due after one year – bank loans	(175.9)	-	(12.6)	(188.5)
Finance lease	(0.5)	0.5	-	-
	<u>(209.5)</u>	<u>(4.0)</u>	<u>(12.6)</u>	<u>(226.1)</u>

The net debt at the end of the period comprises of the following

	£m
Cash at bank and in hand – note 16	0.3
Bank loans and overdraft – note 17	(37.9)
Bank loans – note 18	(188.5)
	<u>(226.1)</u>

28 Related Party Transactions

During the period the Company and its subsidiaries carried out a number of transactions with FLP3 Limited, a related party and an entity under common control. Transactions with FLP3 Limited were in the normal course of business and on arm's length basis.

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

	21 February 2010		22 February 2009	
	Value of transactions £m	Payable at period end £m	Value of transactions £m	Payable at period end £m
<i>Entities under common control</i>				
Funding and corporate finance	11.6	188.8	12.0	177.2

29 Ultimate parent company

At the period end the Company was a subsidiary undertaking of FLP1 GP Ltd which was the ultimate parent Company incorporated in the UK.

The consolidated financial statements of the Group headed by FLP1 GP Ltd are available to the public and may be obtained from

Companies House
 Crown Way
 Maindy
 Cardiff
 CF14 3UZ