

# **Payless Properties Limited**

Directors' report and financial statements

29 October 2006

Registered number 543407

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## Directors' report

The directors present their annual report and financial statements for the 52 week period ended 29 October 2006.

### Principal activity

The Company has not traded in the financial period.

### 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 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, FLP 2 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.

### Directors

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

WE Archer	(resigned 26 July 2007)
GC Wilson	(resigned 26 July 2007)
SR Johnson	(resigned 26 July 2007)
DR 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)

### Auditors

The Company was dormant within the meaning of section 249AA of the Companies Act 1985 throughout the period to 29 October 2006 and accordingly its accounts have not been audited.

By order of the board



**WJ Hoskins**  
*Finance Director*

Gawsworth House  
Westmere Drive  
Crewe  
Cheshire  
CW1 6XB

## **Statement of directors' responsibilities**

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 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 judgments 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.

**Balance sheet**  
*at 29 October 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	3	1	1
<b>Current assets</b>			
Debtors	4	908	908
<b>Net assets</b>		<u>909</u>	<u>909</u>
<b>Capital and reserves</b>			
Called up share capital	5	1	1
Profit and loss account		908	908
<b>Shareholders' funds</b>		<u>909</u>	<u>909</u>

The Company has remained dormant throughout the financial period, has received no income and incurred no expenditure, and consequently has made neither a profit nor a loss.

- (a) For the period ended 29 October 2006 the Company was entitled to exemption under section 249AA (1) of the Companies Act 1985.
- (b) Members have not required the Company to obtain an audit in accordance with section 249B (2) of the Companies Act 1985.
- (c) The directors acknowledge their responsibility for:
- ensuring the Company keeps accounting records which comply with section 221; and
  - preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial period, and of its profit and loss for the financial period, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to account so far as applicable to the Company.

These financial statements were approved by the board of directors on 23 August 2007 and were signed on its behalf by:



**WJ Hoskins**  
*Finance Director*

## 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 Company's 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 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 consolidated financial statements.

As the Company was a wholly owned subsidiary of Focus DIY Group Limited at the balance sheet date, 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 consolidated financial statements of Focus DIY Group Limited, within which this Company is included, can be obtained from the address given in note 7.

### 2 Profit and loss account

The Company has not traded during the period or prior period and accordingly no profit and loss account has been prepared.

The Company has 4 employees (2005: 2) and the directors did not receive any remuneration in respect of their services to the Company (2005:£nil).

### 3 Fixed asset investments

Shares in subsidiary  
 undertaking  
 £000

#### *Cost*

At beginning and end of period

1

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
Payless Developments Limited	UK	Dormant	100% ordinary

The above Company is registered in England and Wales.

## Notes (continued)

### 4 Debtors

	2006 £000	2005 £000
<i>Amounts falling due after more than one year</i>		
Amounts due from Group undertakings	908	908

### 5 Called up share capital

	2006 £000	2005 £000
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1	1
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	1	1

### 6 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.

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### 7 Ultimate holding company

The Company's ultimate holding Company at the balance sheet date was Focus DIY Group Limited.

Copies of the Group financial statements can be obtained from:

Companies House  
 Crown Way  
 Cardiff  
 CF4 3UZ