Focus No. 1 Limited

Directors' report and financial statements

Registered number 1932765

29 April 2007

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Contents

Directors' report

The directors present their annual report and the audited financial statements for the 26 week period ended 29 April 2007 *(2006 52 week period ended 29 October)*

Principal activity

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

Business review

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

Dividends

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

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)
R Bird	(appointed 12 November 2007)
S Thomas	(appointed 19 November 2007)
G West	(appointed 15 January 2008)

Political and charitable contributions

The Company made no political or charitable donations and incurred no political expenditure during the period (2006 £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 Company's auditors are unaware, and each director has taken all 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

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, 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

Directors' report *(continued)*

Subsequent events *(continued)*

As part of the acquisition of FW No4 limited the Group's new management engaged Hilco to support the Group's repositioning and sales 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

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

WJ Hoskins
Finance Director

Gawsworth House
Westmere Drive
Crewe
Cheshire
CW1 6XB

28 FEBRUARY 2008

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

KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Focus No. 1 Limited

We have audited the financial statements of Focus No 1 Limited for the period ended 29 April 2007 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 judgements 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 No. 1 Limited *(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 29 April 2007 and of its loss 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 February 2008

Profit and loss account

for the period ended 29 April 2007

	Note	**26 weeks ended 29 April 2007 £000**	52 weeks ended 29 October 2006 £000
Administrative expenses	2	**(3)**	(3)
Operating loss – continuing operations		**(3)**	(3)
Other interest receivable and similar income	5	-	102,007
Interest payable and similar charges	6	-	(82,348)
(Loss)/profit on ordinary activities before taxation	2-6	**(3)**	19,656
Tax on (loss)/profit on ordinary activities	7	-	(11,091)
(Loss)/profit for the financial period after taxation		**(3)**	8,565

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 29 April 2007

	Note	29 April 2007 £000	29 April 2007 £000	29 October 2006 £000	29 October 2006 £000
Fixed assets					
Investments	*8*		**65,947**		65,947
Current assets					
Debtors	*9*	**673,018**		673,018	
Creditors: amounts falling due within one year	*10*	**(513,001)**		(512,998)	
Net current assets			**160,017**		160,020
Net assets			**225,964**		225,967
Capital and reserves					
Called up share capital	*12*		**20,310**		20,310
Share premium account	*13*		**153,075**		153,075
Capital redemption reserve	*13*		**943**		943
Profit and loss account	*13*		**51,636**		51,639
Shareholders' funds			**225,964**		225,967

These financial statements were approved by the board of directors on 28 February 2008 and were signed on its behalf by

WJ Hoskins

WJ Hoskins
Finance Director

Reconciliation of movements in shareholders' funds
for the period ended 29 April 2007

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
(Loss)/ profit for the financial period	**(3)**	8,565
Opening shareholder's funds	**225,967**	217,402
Closing shareholder's funds	**225,964**	225,967

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, except as noted below

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 26 October 2008 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 FW No 4 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 consolidated financial statements of FW No 4 Limited, within which this Company is included, can be obtained from the address given in note 15

Investments

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

Dividends on shares presented within shareholders funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes *(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

Taxation

The charge for taxation is based on the loss/profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Financial Guarantees

The Company has not adopted amendments to FRS 26 in relation to financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee

The Company does not expect the amendments to have any impact on the financial statements for the period commencing 30 April 2007

Notes *(continued)*

2 (Loss)/profit on ordinary activities before taxation

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
(Loss)/ profit on ordinary activities before taxation is stated after charging		
Auditor remuneration		
Audit	**3**	3

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 ultimate parent, FW No 4 Limited

3 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	
	26 weeks ended 29 April 2007	52 weeks ended 29 October 2006
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	**4**	4
Defined benefit schemes	**2**	2

4 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	
	26 weeks ended 29 April 2007	52 weeks ended 29 October 2006
Administration	**4**	4

The aggregate payroll costs of these persons were as follows

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
Wages and salaries	**-**	-

Notes *(continued)*

5 Other interest receivable and similar income

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
Receivable from Group undertakings	-	102,007

6 Interest payable and similar charges

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
Payable to Group undertakings	-	82,348

7 Taxation

Analysis of charge in period

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
UK corporation tax		
UK corporation tax on profits for the period	-	6,191
Adjustments in respect of prior periods	-	4,900
Total current tax	-	11,091

Notes *(continued)*

7 Taxation, *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2006 higher)* than the standard rate of corporation tax in the UK 30% (*2006 30%*) The differences are explained below

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(3)**	19,656
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% *(2006 30%)*	**(1)**	5,897
Effects of		
Non taxable income	**-**	-
Group relief sold at less than prevailing rate	**(3,589)**	-
UK Transfer pricing adjustment	**3,590**	294
Adjustments to tax charge in respect of prior periods	**-**	4,900
Total current tax charge (see above)	**-**	11,091

8 Fixed asset investments

	Shares in Group undertakings £000
Cost and net book value	
At beginning and end of period	65,947

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

	Country of incorporation	**Principal activity**	**Class and percentage of shares held Direct**	**Indirect**
Subsidiary undertakings				
Focus Retail Group Limited	UK	Intermediate holding Company	100% ordinary	-
Focus Group (Finance) Limited	UK	Intermediate holding Company	-	100% ordinary
Focus (DIY) Limited	UK	Retail operator of DIY superstores	-	100% ordinary
Do It All Limited	UK	Retail operator of DIY superstores	-	100% ordinary
Focus Retail Services Limited	UK	Dormant Company	-	100% ordinary

Notes *(continued)*

9 Debtors

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
Amounts owed by Group undertakings	673,012	673,012
Prepayments and accrued income	6	6
	673,018	673,018

10 Creditors: amounts falling due within one year

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
Bank loans and overdrafts	1,924	1,322
Amounts owed to Group undertakings	511,074	511,673
Accruals and deferred income	3	3
	513,001	512,998

11 Contingent liabilities

The Company has guaranteed certain borrowings of subsidiary undertakings which at 29 April 2007 amounted to £281 6m *(2006 £288 3m)*

Notes *(continued)*

12 Called up share capital

	26 weeks ended 29 April 2007 £000	52 weeks ended 29 October 2006 £000
Authorised		
3,280,000 ordinary shares of 1p each	**33**	33
12,539,541 A ordinary shares of 1p each	**125**	125
1,000,000 B ordinary shares of 1p each	**10**	10
201,722,136,500 deferred ordinary shares of 0 01p each	**20,172**	20,172
	20,340	20,340
Allotted, called up and fully paid		
2 619,140 ordinary shares of 1p each	**26**	26
10,375,839 A ordinary shares of 1p each	**104**	104
788,596 B ordinary shares of 1p each	**8**	8
201,722,136,500 deferred ordinary shares of 0 01p each	**20,172**	20,172
	20,310	20,310

The A ordinary shares have no rights to dividends other than those recommended by the directors, have one vote per share, no redemption rights and have unlimited rights to share in any surplus on a winding up

The B ordinary shares have no rights to dividends other than those recommended by the directors, have one vote per share, no redemption rights and have unlimited rights to share in any surplus on a winding up

The deferred ordinary shares carry no rights to dividends, are subordinate to equity shares on a winding up and carry no voting rights

13 Share premium and reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of period	153,075	943	51,639
Retained loss for the financial period	-	-	(3)
At end of period	**153,075**	**943**	**51,636**

Notes *(continued)*

14 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 accounts 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 at 29 April 2007

Corporate

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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15 Ultimate parent Company

At the period end the Company was a subsidiary undertaking of Focus DIY Group Limited which was the ultimate parent Company incorporated in the UK

However, following the disposal of FW No 4 Limited and its subsidiaries, Focus DIY Group Limited was liquidated Consequently the consolidated financial statements of the Group for the period ended 29 April 2007 have been prepared at the level of 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