

Payless Developments Limited

Directors' report and financial statements
29 October 2006

Registered number 1937616

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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 30 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>	2006 £	2005 £
Creditors: amounts falling due after more than one year	3	(68,900)	(68,900)
Net liabilities		(68,900)	(68,900)
Capital and reserves			
Called up share capital	4	100	100
Profit and loss account		(69,000)	(69,000)
Shareholders' funds		(68,900)	(68,900)

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.

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 6.

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 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to Group undertakings	68,900	68,900

4 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100

Notes *(continued)*

5 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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6 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