

The Insolvency Act 1986

Liquidator's Progress Report
Pursuant to Section 192 of
The Insolvency Act 1986

S.192

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To the Registrar of Companies

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Company Number

05167348

Name of Company

Full Circle Future Limited

I / We
Jeremy Simon Spratt
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

John David Thomas Milsom
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

the liquidator(s) of the company attach a copy of my/our progress report
under section 192 of the Insolvency Act 1986

Signed



Date

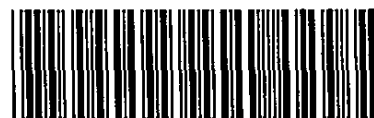
28/7/11

KPMG LLP
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Ref FA621E5722/RCL/CMK/MS

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COMPANIES HOUSE



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To all members

Our ref rcl/cr988

28 July 2011

Dear Sir/Madam

Full Circle Future Limited (in members' voluntary liquidation)
Annual Progress Report to Members

I am writing to report to members on the progress of the liquidation of Full Circle Future Limited ("FCF") during the year to 9 June 2011

FCF was placed into liquidation on 10 June 2010 and John David Thomas Milsom and I were appointed as joint liquidators. I attach as Appendix 1 the general information required to be disclosed to members by the Insolvency Rules 1986

Following the liquidators' appointment, all statutory filing requirements were completed and relevant parties notified of the liquidation

1 Receipts and Payments

I attach as Appendix 2 a summary of the joint liquidators' receipts and payments for the year to 9 June 2011

2 Receipts

2.1 Surrender of Borehamwood lease

Under the sale and purchase agreement relating to the sale of FCF's investment in DFS Furniture Company Limited ("the SPA"), FCF was entitled to further consideration on the surrender of the Borehamwood lease and £1,491,372 (£1,500,000 less £8,628 legal costs) was received following the surrender

2.2 Tax saving payments

Under the SPA, FCF was entitled to additional consideration resulting from any tax savings of DFS Trading Limited and DFS Furniture Company Limited from the surrender of tax losses by FCF as group relief. FCF has received £2,209,334 in respect of the tax

savings to date. Further tax saving payments, under the SPA, are expected but the timing and quantum is uncertain at this time.

2.3 Artwork & Motor vehicles

Included in the declaration of solvency was artwork and motor vehicles with an estimated total value of £1.1m. Following the liquidators' appointment they made a distribution in specie of these assets, together with other assets, to the shareholders (see 6.1 below). For this purpose of the in-specie distribution, the shareholders agreed to value the artwork and motor vehicles at their net book value of £976,260.10 and £172,613.93 respectively.

2.4 Loans and advances

The £180,000,000 of vendor loan notes issued in accordance with the SPA were distributed by the liquidators in-specie by assignment (see 6.1 below).

2.5 Book debts

The £300,000 balance on the declaration of solvency represented unamortised bank underwriting fees and there is therefore no asset to realise.

2.6 Tax refunds (pre-liquidation)

In accordance with an Amended and Restated Facility Agreement dated 3 July 2009 ("the Agreement"), FCF received £474,825.96 in respect of the surrender of £1,695,807 of tax losses to Delphi Properties Limited ("DPL") for its accounting period from 1 August 2009 to 31 July 2010.

2.7 VAT refunds (pre-liquidation)

FCF was removed from the DFS VAT group with effect from 9 June 2010 (the day prior to liquidation).

VAT totalling £594,580.72 on the costs relating to the SPA and KPMG's pre-liquidation advice for the period to 9 June 2010 was included in the DFS group VAT return for the quarter ended 31 July 2010. As the VAT group is subject to a partial exemption recovery rate of 92.92%, the amount repayable to FCF was £552,484.59 and this amount has been received. However, HM Revenue & Customs ("HMRC") has subsequently raised an enquiry into the VAT refunded on the SPA costs and DFS are instructing advisers to deal with this matter. As the issue solely affects the refund to FCF and none of the other members of the VAT group, FCF will pay the advisers' fees.

2.8 Cash at bank

Immediately prior to the commencement of the liquidation, cash totalling £158,043,987.51 held in Freshfields Bruckhaus Deringer LLP's ("Freshfields") client account on behalf of FCF was transferred to the shareholders, pro-rata to their

shareholdings in FCF. Immediately following their appointment on 10 June 2010, the liquidators declared a distribution to shareholders of the £158,043,987.51 cash (including any overnight interest accrued thereon) by releasing FCF's interest in the sums transferred to the shareholders. The remaining balance in Freshfields' client account, of £200,026.95 (including £26.95 gross interest), was subsequently transferred to FCF's liquidation estate bank account.

The liquidators also arranged for FCF's bank accounts at Lloyds Banking Group and The Royal Bank of Scotland to be closed and for the balances of £46.60 and £4,627.19 respectively to be transferred to FCF's liquidation estate bank account.

2.9 ISA interest

During the year bank interest earned on funds held in FCF's Insolvency Services Account ("ISA") amounted to £1,606.52. 20% income tax totalling £321.30 was deducted at source.

2.10 Rebate of fees

A partial rebate of the fees paid by FCF to Goldman Sachs in relation to the SPA was negotiated. As a result, FCF received a rebate of £384,000.

3 Payments and expenses

3.1 Cheque/payable order fee and bank charges

These represent The Royal Bank of Scotland and ISA bank charges.

3.2 Tax fees

The tax fee of £4,500 was paid to KPMG for the preparation of the corporation tax return for the final pre-liquidation period to 9 June 2010.

3.3 Liquidators' fees and expenses

A resolution was passed on 10 June 2010 that the remuneration of the joint liquidators be fixed at their normal charging rates according to the time properly spent by them and members of their staff in attending to matters arising in the winding up of the Company (including those falling outside their statutory duties) and that they be authorised to draw their remuneration on account.

The statutory provisions relating to remuneration are set out in Rule 4.127 of the Insolvency Act 1986. Further information can be found in the Association of Business Recovery Professionals' publication "A creditors' guide to Liquidators fees" (which may be read as "A members' guide to Liquidators fees") a copy of which can be found at

http://www.r3.org.uk/media/documents/technical_library/SIPS/SIP-9-EW-INTER.pdf

I attach as Appendix 3, a schedule summarising the joint liquidators' time costs for the year including grades of staff utilised and the charge-out rates applied. The schedule also summarises the expenses incurred by the liquidators during the year.

In addition, during the year the liquidators drew £22,023 50 and £17,243 60 respectively on account of their time costs and expenses incurred during the pre-liquidation period (these costs are not included in the analysis at Appendix 3) The expenses were in respect of the legal fees of Barlow Lyde & Gilbert (“BLG”) and Froriep Renggli LLP (the Swiss lawyers instructed by BLG to assist with standby letters of credit to support an indemnity in favour of the liquidators by the majority shareholder)

3.4 D&O Insurance

The total cost of obtaining six year D&O run off insurance cover for all three former directors of FCF and its subsidiaries, Delphi Properties Ltd and Delphi Property Holdings Ltd, was £45,260 75 It was agreed that FCF would pay £15,086 92, being one third of the premium

3.5 Registrar’s fees

Computershare Investors Plc (“Computershare”) was FCF’s registrar in respect of Primback Entitlement Units (“PE Units”) As there is no prospect of any funds being available for the benefit of the holders of the PE Units (see 4.2 below), the liquidators terminated Computershare’s contract and paid the registrars’ outstanding and termination fees totalling £3,521 64

3.6 Legal fees

The legal fees paid during the year are summarised as follows

£	Solicitors and narrative
1,612 00	Shoemiths Costs in relation to the SPA invoiced to OC&C Strategy Consultants in respect of the pre-liquidation period and recharged to FCF
50,656 15	Freshfields Reviewing the future arrangements deed and the letters of credit Dealing with the prepayment of the vendor loan agreement and receivables under the SPA
25,000 00	Freshfields Replacing Goldman Sachs standby letter of credit with one from Barclays Wealth
2,361 22	Barlow Lyde & Gilbert LLP Advising the liquidators regarding a prepayment of the vendor loan (under a vendor loan agreement FCF acted as agent for the lenders)
5,500 00	Barlow Lyde & Gilbert LLP Advising liquidators regarding replacing the Goldman Sachs standby letter of credit with one from Barclays Wealth
£85,129 37	

3.7 Schedule of expenses

The expenses for the year total £224,327.63 including amounts not paid of £27,378.00 (see Appendix 4 for further details)

In accordance with Rule 4.49E of the Insolvency Rules 1986 members have the right to request further information, in respect of remuneration, expenses, and any other information relevant to the member from the liquidator, within 21 business days of receipt of this report. The full text of that rule can be provided by Ray Levy (tel 020 7694 3201 e-mail ray.levy@kpmg.co.uk) if required.

4 Creditors

4.1 General

Following their appointment, the liquidators notified all known actual, potential and contingent creditors of their appointment.

The liquidators shortly intend to advertise, in the London Gazette and the Times newspaper, a notice to creditors to submit claims ("the Notice"). A copy of the Notice will also be sent to all creditors notified of the liquidators' appointment.

During the year a claim was received from Brodies LLP in the sum of £1,958.60 in respect of legal fees relating to the SPA and the liquidators subsequently settled the claim in full.

4.2 Holders of Primback Entitlement Units ("PE Units")

PE Units were issued in connection with a Deed Poll dated 3 November 2004 ("Deed Poll") in respect of FCF's acquisition of DFS on 2 November 2004. Pursuant to the terms of that acquisition, holders of ordinary shares in DFS, and certain holders of options to acquire ordinary shares in DFS, received one PE Unit for each ordinary share held in DFS. A PE Unit is a unit of contingent entitlement entitling the holder to a pro rata share of any Primback Amount arising from the recovery or retention of certain amounts by the DFS Group.

No relevant amounts have been recovered by FCF and, under the Deed Poll, with effect from the Entitlement Termination Date of 2 November 2011, FCF has no further obligations in respect of the Primback Entitlement (save for the obligation to pay any outstanding cash consideration in accordance with the Deed Poll).

The liquidators intend to write to the holders of the PE Units during November 2011 to advise that DFS has not recovered any amounts for the benefit of the holders of the PE Units and that, accordingly, the PE Units have no value and the register of holders will be closed.

5 Taxation

5.1 VAT

As stated in paragraph 2.7 HMRC has raised an enquiry into the VAT refunded to FCF under the DFS group VAT return in respect of the VAT on the costs relating to the SPA. Until this issue is resolved, HMRC will not provide the liquidators with confirmation that they have no claim in the liquidation in respect of VAT and have no objection to the liquidators proceeding to finalise the liquidation.

Following the resolution of the VAT enquiry, the liquidators will reclaim the VAT on the costs of liquidation. As mentioned in 2.7 above, the VAT group is subject to a partial exemption recovery rate of 92.92%. This is therefore the rate at which the VAT may be reclaimed by the liquidators and accordingly 7.08% of VAT is irrecoverable. The irrecoverable element is shown separately on the attached receipts and payments account.

5.2 Corporation tax

A corporation tax return has been submitted for the final pre-liquidation period ended 9 June 2010 and the liquidators are arranging for a return to be prepared for the first liquidation period.

FCF has certain contingent liabilities that could arise if Delphi Properties Holdings Limited and Delphi Properties Limited leave the FCF group before 13 July 2013. Until this issue is resolved, the liquidators will be unable to finalise the liquidation.

6 Shareholder distributions

6.1 1st interim distribution

The majority shareholder of FCF requested that the liquidators make an immediate first interim distribution to shareholders, under indemnity, of the assets detailed below. The distribution was declared and distributed by the liquidators on 10 June 2010.

	£
Cash (note 1)	158,288,258.58
Vendor loan notes (note 2)	180,000,000.00
Artwork (note 3)	976,260.10
Motor vehicles (note 3)	172,613.93
	339,437,132.61

Note 1 The cash element of the distribution included any overnight interest accrued thereon.

Note 2 The vendor loan notes were distributed in-specie by assignment.

Note 3 As agreed by the shareholder in a Contribution Agreement, the artwork and motor vehicles were distributed in-specie to the majority shareholder and the other shareholders received the pro-rata cash equivalent

6.2 2nd interim distribution

On 3 September 2010 the liquidators declared and distributed a second interim cash distribution to the shareholders at a rate of £0.30911806092 per £1 ordinary share making a total distribution of £3,148,402.69

6.3 3rd interim distribution

On 7 December 2010 the liquidators declared and distributed a third interim cash distribution to shareholders at a rate of £0.10 per £1 ordinary share making a total distribution of £1,018,511.40

6.4 Further distribution(s)


The timing and quantum of further distributions is currently uncertain. However, the liquidators will consider making a further distribution to shareholders following the resolution of the VAT enquiry (see 2.7 above)

7 Finalisation of the liquidation

The liquidators cannot proceed to finalise the liquidation until the contingent corporation tax liabilities referred to in paragraph 5.2 have been resolved, which is not expected to be until July 2013

If you would like to discuss any of the above in more detail, or require any further information, please contact Ray Levy on 020 7694 3201

Yours faithfully
For Full Circle Future Limited



JS Spratt
Joint Liquidator

Jeremy Simon Spratt and John David Thomas Milsom are authorised to act as Insolvency Practitioners by the ICAEW

Appendix 1

Statutory Information	
Company name & Trading style	Full Circle Future Limited
Date of appointment	10 June 2010
Former names	None
Liquidators' details	<p>Jeremy Simon Spratt of KPMG LLP, 8 Salisbury Square, London, EC4Y 8BB was appointed on 10 June 2010 and is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales and his office holder number is 8914</p> <p>John David Thomas Milsom of KPMG LLP 8 Salisbury Square, London, EC4Y 8BB was appointed on 10 June 2010 and is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales and his office holder number is 9241</p>
Former office holders details	None
Functions	The functions of the office holders are being exercised by any one of them in accordance with the resolution passed on 10 June 2010
Company Information	
Company registration number	05167348
Previous registered office	1 Rockingham Way, Redhouse Interchange, Adwick le Street, Doncaster, South Yorkshire DN6 7NA
Present registered office	c/o KPMG, 8 Salisbury Square, London EC4Y 8BB

Full Circle Future Limited (in members' voluntary liquidation)
Liquidators' Abstract of Receipts & Payments for the year to 09/06/2011

S of A £	Report	£	£
ASSET REALISATIONS			
	2 1	1,491,402 19	
	2 2	2,209,334 00	
1,100,000 00	2 3	NIL	
180 000,000 00	2 4	NIL	
300,000 00	2 5	NIL	
300,000 00	2 6	474 825 96	
600,000 00	2 7	552,484 59	
158 500 000 00	2 8	<u>204,673 79</u>	
			4,932,720 53
OTHER REALISATIONS			
	2 8	26 95	
	2 9	1,606 52	
	2 9	(321 30)	
	2 10	<u>384,000 00</u>	
			385,312 17
COST OF REALISATIONS			
	3 1	3 85	
	5 1	2,530 95	
	3 2	4,500 00	
	3 3	70,504 90	
	3 3	18,206 80	
	3 4	15,086 92	
	3 5	3,521 64	
	3 6	85,129 37	
	3 1	<u>93 95</u>	
			(199,578 38)
UNSECURED CREDITORS			
(100,000 00)	4 0	<u>2,301 36</u>	
			(2,301 36)
DISTRIBUTIONS			
(10,185,114 00)	6 0	<u>4,166,914 09</u>	
			(4,166,914 09)
<u>330,514,886 00</u>			<u>949,238.87</u>
REPRESENTED BY			
	5 1	33,216 79	
		916,022 08	
			<u>949,238.87</u>

Notes

- 1 The artwork and motor vehicles were distributed in specie to shareholders at their net book value of £976,260 10 and £172,613 93 respectively
- 2 The loans and advances (vendor loan notes) were distributed in specie by assignment to shareholders at their value of £180,000,000
- 3 £158,288,258 58 of cash was transferred from Freshfields Bruckhaus Deringer LLP's client accounts to the shareholders the day prior to liquidation and, following their appointment on 10 June 2010, the liquidators immediately made a shareholder distribution by releasing the balances to the shareholders plus any overnight interest accrued thereon

Appendix 3

Full Circle Future Limited (in members' voluntary liquidation)

Details of liquidators time costs and expenses incurred during the period from 10/06/2010 to 09/06/2011

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Charge out rates to 30/09/2010	695/610	500/390	285/220	115			
Charge out rates from 01/10/2010	725/635	525/420	305/230	120			
Member							
Distributions	1 40	1 00	2 00		4 40	£1,948 00	£442 73
General correspondence	0 80	2 30	1 00		3 90	£1,677 00	£430 00
Share Registrars		4 80			4 80	£2,016 00	£420 00
Statutory reports		5 80			5 80	£2,436 00	£420 00
Cashiering							
General (Cashiering)		3 70	2 50	0 20	6 40	£2,279 50	£356 17
Reconciliations (& IPS accounting reviews)		0 70	1 14	0 80	2 64	£656 90	£248 83
General							
Books and records		1 10			1 10	£429 00	£390 00
Fees and WIP	0 20	1 40	1 30		2 90	£1,082 00	£373 10
Statutory and compliance							
Appointment and related formalities	0 70	2 00	6 60		9 30	£2,952 50	£317 47
Bonding and bordereau				0 40	0 40	£46 00	£115 00
Checklist & reviews	5 50	1 60			7 10	£4,524 50	£637 25
Pre-appointment checks		4 00		2 00	6 00	£1,800 00	£300 00
Strategy documents	0 30	18 50	7 00		25 80	£9,624 50	£373 04
Tax							
Initial reviews - CT and VAT		2 10	2 00		4 10	£1,389 00	£338 78
Post appointment corporation tax	1 80	7 00			8 80	£4,191 00	£476 25
Post appointment VAT	2 00	11 40	10 20		23 60	£8,105 00	£343 43
Creditors and claims							
General correspondence	0 70	4 60	0 50		5 80	£2,447 00	£421 90
Notification of appointment		2 70	1 50		4 20	£1,480 50	£352 50
Pre-appointment VAT / PAYE / CT	4 70	19 30	3 50		27 50	£12,545 50	£456 20
Directors							
Correspondence with directors		0 70			0 70	£294 00	£420 00
Asset Realisation							
Cash and investments		2 70	2 00		4 70	£1,855 00	£394 68
Other assets		2 80	1 00		3 80	£1,407 00	£370 26
Pre-appointment tax & VAT refunds		2 00			2 00	£825 00	£412 50
DFS Furniture SPA		11 60			11 60	£4,533 00	£390 78
Total in period	17 90	113 80	42 24	3 40	177 34	£70,543 90	£397 79

Fee drawn on account of time costs incurred during the period to 09/06/2011

£48,481 40

Outstanding time costs for the period to 09/06/2011

£22,062 50

Liquidators' expenses incurred and drawn during the period to 09/06/2011

Bordereau	£800 00
Land Registry Charges	£12 00
Statutory advertising	£151 20
	<u>£963 20</u>

All staff who have worked on this assignment, including cashiers and support and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge-out rates.

Appendix 4

Full Circle Future Limited (in members' voluntary liquidation) Schedule of expenses for the period from 10 June 2010 to 9 June 2011

		Paid	Accrued	Total for period
	Report	£	£	£
Tax fees	3 2	4,500 00		4,500 00
Liquidator's fees	3 3	70,504 90	27,378 00	97,882 90
Liquidator's expenses	3 3	18,206 80		18,206 80
D&O Insurance	3 4	15,086 92		15,086 92
Registrar's fees	3 5	3,521 64		3,521 64
Legal fees	3 6	85,129 37		85,129 37
		<u>196,949 63</u>	<u>27,378 00</u>	<u>224,327 63</u>