FULL CIRCLE FUTURE LIMITED

REPORT AND ACCOUNTS

1 AUGUST 2009

Company no 5167348

Contents

Directors' report

The directors present their report together with the audited financial statements for the 52 weeks ended 1 August 2009 Comparative figures relate to the 53 weeks ended 2 August 2008

Principal activities

The principal activities of the Group are the retailing and manufacture of upholstered furniture Full Circle Future Limited acts as a holding company

Business review and future developments

DFS has once again achieved excellent results and in a most difficult trading environment Strong cost control enabled the business to improve profitability despite a small reduction in sales As a result, operating profit before goodwill amortisation was up by more than 25% to £60 1m (2008 £47 1m) The business continued its long history of strong cash generation, enabling us to achieve a reduction in net debt of £18m over the year and still end the period with substantial free cash resources

We continued to focus on the consolidation and improvement of our existing operations, and did not add to our portfolio of 77 stores during the period

DFS remains the largest retailer of upholstered furniture in the UK, and our growth in market share reflects the strength of our long-established brand, our market-leading product range, the high quality of our stores and people, and 40 years of continuous investment in building customer goodwill Our retail operations, supported by our three UK based factories, give us significant advantages in the control of design, quality and lead times, and these factories delivered record volumes of product during the period

We will continue to focus on our long term strategy for profitable growth as the biggest and most successful upholstered furniture retailer in the United Kingdom

Post balance sheet event

The Group was subject to a VAT tribunal case in the period A positive tribunal decision was received after the period end date and HM Revenue and Customs no longer have the right to appeal Accordingly an amount of £6 3m has been included in the profit for the period in accordance with FRS 21 as an adjusting post balance sheet event, representing £5 1m repayable by HM Revenue and Customs to the Group and accruals released of £1 2m

Business risks and uncertainty

In common with many other retail businesses, the principal risks in the current period of economic uncertainty include a potential reduction in customer demand Other significant risks include the potential threats from competitors and from changes in consumer spending patterns The Group has managed these material risks by ensuring that its customers are provided with a range of products which suits their needs, are competitively priced, offering good value, and are supported by excellent customer service, in order to enhance its market-leading position

Directors' report (continued)

Business risks and uncertainty (continued)

The Group sources products from a variety of locations including international markets It is exposed to movement in the price and supply of key raw materials and foreign currency fluctuations on certain purchases sourced from overseas The Group's operations are also exposed to the risk of movements in interest rates with a resulting impact on customer demand and the cost and availability of consumer finance Raw material prices, currency rates and interest have been subject to increased volatility in the prevailing economic climate These risks are managed by spreading the source of supply and hedging policies for currency and interest

The business is also subject to an increasing burden of compliance in many of its activities from regulatory and other authorities and is subject to regulatory risk with potential for significant financial impact The Group has consciously managed this risk by taking steps to ensure it complies with all relevant legislation and guidelines including treating its customers fairly

Results and dividends

The profit on ordinary activities before taxation was £17 7m (2008 £5 5m) After providing for taxation, an amount of £8 3m has been transferred to reserves (2008 £2 0m transferred from reserves)

No dividend was paid to shareholders during the period (2008 £nil)

The directors do not recommend any further dividend payments (2008 £nil)

Donations

Charitable donations made by the Group during the period amounted to £142,100 (2008 £26,630) There were no political donations made in the current period (2008 £nil)

Employment policies

Employees are provided with information and consulted on matters which are, in the opinion of the directors, of concern to them as employees and likely to affect their interests It is the policy of the Group to support the employment of disabled people, wherever possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Group as well as generally through training and career development

Financial instruments

The Group is exposed to foreign currency risk on purchases from overseas and uses forward contracts to hedge against foreign currency risks

Directors

The directors who held office during the period are shown below

G Kirkham
J H Massey
W R Barnes

Directors' report (continued)

Going concern

After making enquiries, 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 financial statements

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

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

P A Walker
Company Secretary

1 Rockingham Way
Redhouse Interchange
Adwick-le-Street
Doncaster
South Yorkshire
DN6 7NA

24 November 2009

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 the directors 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 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 Group and 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

Independent auditors' report to the members of Full Circle Future Limited

We have audıted the financial statements of Full Cırcle Future Lımıted for the 52 weeks ended 1 August 2009 set out on pages 7 to 26 The financıal reportıng framework that has been applıed ın theır preparatıon ıs applıcable law and UK Accountıng Standards (UK Generally Accepted Accountıng Practıce)

This report ıs made solely to the company's members, as a body, ın accordance with sectıons 495 and 496 of the Companıes Act 2006. Our audıt work has been undertaken so that we mıght state to the company's members those matters we are requıred to state to them ın an auditors' report and for no other purpose To the fullest extent permıtted by law, we do not accept or assume responsıbılıty to anyone other than the company and the company's members, as a body, for our audıt work, for thıs report, or for the opınıons we have formed

Respective responsibilities of directors and auditors

As explaıned more fully ın the Dırectors' Responsıbilıtıes Statement set out on page 4, the dırectors are responsıble for the preparatıon of the financıal statements and for beıng satisfied that they give a true and faır vıew Our responsıbılıty ıs to audıt the financial statements ın accordance wıth applıcable law and Internatıonal Standards on Audıtıng (UK and Ireland) Those standards requıre us to comply wıth the Audıtıng Practıces Board's (APB's) Ethical Standards for Audıtors

Scope of the audit of the financial statements

A descrıptıon of the scope of an audıt of financıal statements ıs provıded on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opınıon the financıal statements:

- gıve a true and faır vıew of the state of the group's and the parent company's affaırs as at 1 August 2009 and of the group's profit for the perıod then ended,
- have been properly prepared ın accordance wıth UK Generally Accepted Accountıng Practıce, and
- have been prepared ın accordance wıth the requırements of the Companıes Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opınıon the ınformatıon gıven ın the Dırectors' Report for the financıal perıod for whıch the financıal statements are prepared ıs consıstent wıth the financıal statements

Independent auditors' report to the members of Full Circle Future 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

G Watts
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Birmingham

24 November 2009

Group profit and loss account

52 weeks ended 1 August 2009 (53 weeks ended 2 August 2008)

	Notes	2009 £m	2008 £m
Turnover	1 4, 2	**577.8**	594 9
Operatıng profit before amortisatıon		**60.1**	47 1
Amortısatıon of goodwıll		**(17.1)**	(17 1)
Operating profit	2	**43.0**	30 0
Net ınterest payable and sımılar charges	5	**(25 3)**	(24 5)
Profit on ordınary activitıes before taxatıon	2	**17.7**	5 5
Taxatıon on profit on ordınary actıvıtıes	6	**(9.4)**	(7 5)
Profit/(loss) for the perıod	17	**8.3**	(2 0)

All actıvıtıes were contınuıng throughout the current perıod and prıor perıod

There were no recognısed gaıns or losses ın the perıod other than those reported ın the Group profit and loss account

The notes on pages 10 to 26 form part of these financıal statements

Balance sheets

as at 1 August 2009 (2 August 2008)

	Notes	**Group 2009 £m**	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Fixed assets					
Intangible assets	8	**261.3**	278 4	-	-
Tangible assets	9	**143.5**	154 0	-	-
Investments	10	-	-	**510.6**	510 6
		404.8	432 4	**510.6**	510 6
Current assets					
Stocks	11	**14.3**	14 6	-	-
Debtors	12	**17.0**	11 5	-	9 8
Cash at bank and in hand		**28.8**	27 6	-	0 4
		60.1	53 7	-	10 2
Current liabilities					
Creditors amounts falling due within one year	13	**(106.1)**	(117 7)	**(399.4)**	(399 7)
Net current liabilities		**(46.0)**	(64 0)	**(399.4)**	(389 5)
Total assets less current liabilities		**358.8**	368 4	**111.2**	121 1
Creditors: amounts falling due after more than one year	14	**(327.1)**	(343 9)	**(54.6)**	(54 5)
Provisions for liabilities and charges	15	**(10.6)**	(11 7)	-	-
Net assets		**21.1**	12.8	**56.6**	66 6
Capital and reserves					
Called up share capital	16	**10.2**	10 2	**10.2**	10 2
Share premium account	17	**36.2**	36 2	**36.2**	36 2
Profit and loss account	17	**(25.3)**	(33 6)	**10.2**	20 2
Shareholders' funds		**21.1**	12 8	**56.6**	66 6

The financial statements were approved by the Board on 24 November 2009 and were signed on its behalf by

G Kirkham
Chairman

W R Barnes
Finance Director

Company number 5167348

Group cash flow statement

52 weeks ended 1 August 2009 (53 weeks ended 2 August 2008)

	Notes	2009 £m	2008 £m
Net cash ınflow from operatıng actıvıtıes	22 1	**61.2**	61 1
Returns on ınvestments and servıcıng of finance	22 2	**(25 2)**	(22 5)
Taxatıon		**(11.4)**	(7 4)
Capıtal expendıture	22 3	**(6.2)**	(6 4)
Net cash inflow before financıng		**18.4**	24 8
Fınancıng	22 4	**(17.2)**	(16 8)
Increase in cash ın the perıod		**1.2**	8 0

Reconciliation of movements in shareholders' funds

52 weeks ended 1 August 2009 (53 weeks ended 2 August 2008)

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Profit/(loss) for the perıod	**8.3**	(2 0)	**(10.0)**	5 4
Net addıtıon/(reductıon) to shareholders' funds	**8.3**	(2 0)	**(10.0)**	5 4
Shareholders' funds at the begınnıng of the perıod	**12.8**	14 8	**66.6**	61 2
Shareholders' funds at the end of the perıod	**21.1**	12 8	**56.6**	66 6

Notes to 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 of the Group and the Company Where it is necessary to choose between accounting policies, those selected are judged by the directors to be the most appropriate to the Group's particular circumstances for the purpose of giving a true and fair view

1.1 Basis of preparation

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

1.2 Consolidation

The consolidated financial statements incorporate the results of the Company and all of its subsidiary undertakings made up to the end of the Group's financial period

Under Section 408 of the Companies Act 2006, the Company is not required to present its own profit and loss account

1.3 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange 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

1.4 Turnover

Turnover represents the ticket price (excluding value added tax) of furniture delivered to third parties All sales are made within the United Kingdom

1.5 Store developments

Pre-opening and launch costs for new stores are written off against operating profit as incurred No interest is capitalised on new store developments

1.6 Tangible fixed assets

Tangible fixed assets are shown at cost, less depreciation and any provision for impairment in value

1.7 Depreciation

Depreciation is provided in equal amounts each period in order to write off the cost or valuation of fixed assets less the estimated residual value, over their anticipated useful economic lives The estimated useful economic lives used are

Freehold buildings	50 years
Leasehold buildings	The shorter of 50 years or the unexpired portion of the lease
Plant and equipment	4 to 7 years
Motor vehicles	4 years

No depreciation is provided on freehold or long leasehold land Short leasehold land is depreciated over the unexpired portion of the lease

Notes *(continued)*

1 Accounting policies (continued)

1.8 Impairments of fixed assets

The carrying amounts of the group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the recoverable amount of an asset or it's associated income is below it's carrying amount Impairment losses are recognised in the profit and loss account

1.9 Investments

Investments are stated at cost, less provision for any impairment

1.10 Goodwill

Goodwill represents the excess of the fair value of consideration over the fair value of the net assets acquired Goodwill is capitalised and amortised to nil by equal instalments over its estimated useful life of 20 years If there is any indication that the goodwill value is impaired, it is written down to the higher of its value in use or net realisable value

1.11 Stocks

Stocks are valued at the lower of cost and net realisable value The cost of finished goods manufactured by the Group includes direct materials, direct labour and appropriate overhead expenditure

1.12 Financing costs

Bank fees incurred in order to secure bank loans are capitalised and offset against the loan creditor Amounts paid are amortised over the term of the loan

1.13 Pensions

The cost of providing pensions through defined contribution schemes is charged to the profit and loss account in the period in respect of which contributions become payable All contributions are paid into funds managed and held separately from the Group

1.14 Taxation

The charge for taxation is based on the profit for the period and takes into account deferred tax balances

Deferred taxation 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 where otherwise required by FRS 19 "Deferred Tax"

1.15 Operating leases

The costs and income from operating leases in respect of land and buildings are charged to profit on ordinary activities on a straight line basis over the lease period

1.16 Financial Instruments

The group uses interest rate swaps on the loans held within the Group to reduce the exposure to changes in interest rates The swaps convert variable rates to fixed rates, and the maturity of the swaps coincide with loan repayments Although the swaps are used to hedge the interest rate risks faced by the group, management do not apply hedge accounting

The group uses forward contracts to purchase US Dollars to reduce their exposure to changes in exchange rates The contracts allow management to fix the rates at which US Dollars are purchased Although management use the contracts to hedge foreign currency risk, they do not apply hedge accounting

Notes *(continued)*

1.17 Share-based payments

Equity share-based arrangements granted by the Group to its bankers are measured at fair value at the date of grant using the Black Scholes model and are accounted for within finance costs A corresponding increase is recorded in equity

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions

2 Operating profit

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Turnover	**577.8**	594 9
Cost of sales	**(485.4)**	(527 8)
Gross profit	**92.4**	67 1
Administrative expenses	**(49.4)**	(37 1)
Operating profit	**43.0**	30 0

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Profit on ordinary activities before taxation is stated after charging		
Depreciation	**15.4**	13 9
Loss/(profit) on disposal of fixed assets	**1.4**	(0 4)
Amortisation of goodwill	**17.1**	17 1
Redundancy costs	**0.5**	-
Professional fees on finance restructuring	**1.5**	-
Operating lease payments – properties	**26.1**	28 0

The profit on ordinary activities before taxation is also stated after charging an enhanced level of directors emoluments in the period (see note 3)

	52 weeks ended 1 August 2009	53 weeks ended 2 August 2008
Amounts receivable by the auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	**0.1**	0 1
Other services relating to taxation and pension advice	**0.2**	0 2
	0.3	0 3

Auditors' remuneration in respect of the statutory audit of these financial statements was £nil, (2008 £nil) Audit fees are borne by another group undertaking

Notes *(continued)*

3 Directors' emoluments

Directors' emoluments have been paid by DFS Furniture Company Limited

	52 weeks ended 1 August 2009 £000	53 weeks ended 2 August 2008 £000
Emoluments	12,043	1,653
Pension contributions	80	80
	12,123	1,733

The remuneration of the highest paid director was as follows

	52 weeks ended 1 August 2009 £000	53 weeks ended 2 August 2008 £000
Emoluments	10,689	674

Two directors (excluding the highest paid director) accrued retirement benefits under pension schemes in the period (2008 two) All of the directors' pension contributions are to defined contribution schemes

4 Staff costs and numbers

4 1 Employment costs of all employees

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Wages and salaries	78.9	71 7
Social security costs	8.3	7 2
Other pension costs	1.4	1 4
	88.6	80 3

Notes *(contınued)*

4 Staff costs and numbers (continued)

4 2 Number of people employed

Average:	**2009 Number of employees**	2008 Number of employees
Productıon	**610**	666
Warehouse and transport	**673**	722
Sellıng and admınıstratıon	**1,272**	1,300
	2,555	2,688
Period end:		
Productıon	**605**	661
Warehouse and transport	**670**	716
Sellıng and admınıstratıon	**1,280**	1,312
	2,555	2,689

5 Net interest payable and sımılar charges

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Interest receıvable		
Bank	**0.6**	1 5
Interest payable		
Bank loans	**23.2**	25 2
Bank fees	**2.7**	0 8
	25.9	26 0
Net ınterest payable	**25.3**	24 5

Notes *(contınued)*

6 Taxation on profit on ordinary activitıes

6 1 Analysıs of charge for the penod	**52 weeks ended 1 August 2009 £m**	53 weeks ended 2 August 2008 £m
UK corporatıon tax		
Current tax on ıncome for the penod	**11.7**	8 8
Adjustments ın respect of pnor penods	**(0.3)**	0 6
Total current tax charge	**11.4**	9 4
Deferred tax		
Current penod	**(2.1)**	(1 2)
Adjustments ın respect of pnor penods	**0.1**	(0 7)
Total deferred tax credıt (note 15)	**(2.0)**	(1 9)
Total tax charge	**9.4**	7 5

6 2 Factors affectıng the current tax charge for the penod

The tax assessed for the penod ıs hıgher (2008 hıgher) than the standard rate of corporatıon tax ın the UK of 28% (2008 29 33%) The dıfferences are explaıned below

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Profit on ordınary actıvıtıes before taxatıon	**17.7**	5 5
Profit on ordınary actıvıtıes multıplıed by standard rate of corporatıon tax ın the UK of 28% (2008 29 33%)	**4.9**	1 6
Expenses not deductıble for tax purposes	**(0.2)**	0 2
Amortısatıon of goodwıll not deductıble for tax purposes	**4.8**	5 0
Depreciatıon ın excess of capıtal allowances	**3.1**	1 6
Other tımıng dıfferences	**(0.9)**	0 4
Adjustments ın respect of pnor penods	**(0.3)**	0 6
Total current tax charge	**11.4**	9 4

Notes *(contınued)*

7 Parent company profit and loss account

The loss for the financıal perıod dealt wıth ın the financıal statements of the parent company was £10 0m (2008 £5 4m profit)

8 Intangıble assets

	Group 2009
Goodwill	**£m**
Cost	
As at 1 August 2009 and 2 August 2008	**341.6**
Amortisatıon	
As at 3 August 2008	63 2
Amortısed durıng the year	17 1
As at 1 August 2009	**80.3**
Net book value	
As at 1 August 2009	**261.3**
As at 2 August 2008	278 4

Goodwıll ıs to be amortısed to nıl by equal ınstalments over ıts estımated useful lıfe of 20 years

Notes *(continued)*

9 Tangible assets

	Land and Buildings					
	Freehold	**Long leasehold**	**Short leasehold**	**Plant and equipment**	**Motor vehicles**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group						
Cost						
As at 3 August 2008	84 0	27 2	1 5	66 1	10 9	189 7
Additions	0 6	-	0 1	2 3	3 8	6 8
Disposals	-	-	-	(3 5)	(3 8)	(7 3)
As at 1 August 2009	**84.6**	**27.2**	**1.6**	**64.9**	**10.9**	**189.2**
Depreciation						
As at 3 August 2008	3 9	1 8	0 6	26 5	2 9	35 7
Provided during the period	1 1	0 4	0 1	9 9	3 8	15 3
Disposals	-	-	-	(1 8)	(3 5)	(5 3)
As at 1 August 2009	**5.0**	**2.2**	**0.7**	**34.6**	**3.2**	**45.7**
Net book value						
As at 1 August 2009	**79.6**	**25.0**	**0.9**	**30.3**	**7.7**	**143.5**
As at 2 August 2008	80 1	25 4	0 9	39 6	8 0	154 0

The Company has no tangible fixed assets

Notes *(continued)*

10 Investments

	Shares in subsidiary undertakings £m
Company	
Cost and net book value	
As at 1 August 2009 and 2 August 2008	**510.6**

The following companies are incorporated in Great Britain, are fully owned and have been consolidated

	Principal activity
DFS Furniture Company Limited	Holding company
DFS Trading Limited*	Furniture retailer
Delphi Properties Holdings Limited	Property holding company
Delphi Properties Limited **	Retail property
Northern Upholstery Limited*	Dormant
Galegrove Limited*	Aviation management
New DFS Furniture Limited*	Dormant
CF Ward Limited*	Dormant

*Investment held by DFS Furniture Company Limited
** Investment held by Delphi Properties Holdings Limited

11 Stocks

	Group 2009 £m	Group 2008 £m
Raw materials and consumables	**3.0**	2 8
Finished goods and goods for resale	**11.3**	11 8
	14.3	14 6

12 Debtors: due within one year

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Trade debtors	**2.7**	2 6	-	-
Prepayments and accrued income	**7.8**	8 9	-	-
Corporation tax	-	-	-	9 8
Deferred tax	**1.4**	-	-	-
Other debtors	**5.1**	-	-	-
	17.0	11 5	-	9 8

Notes *(continued)*

13 Creditors: amounts falling due within one year

	Group 2009 £m	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Bank loans	**17.1**	16 7	-	-
Payments received on account	**16.6**	15 0	-	-
Trade creditors	**23.5**	36 5	-	-
Amounts owed to subsidiary undertakings	-	-	**399.3**	399 3
Corporation tax	**6.9**	6 9	-	-
Other creditors including other taxes and social security	**13.2**	10 6	-	-
Accruals and deferred income	**28.8**	32 0	**0.1**	0 4
	106.1	117 7	**399.4**	399 7

Bank loans include £0 5m (2008 £0 5m) of unamortised amounts relating to fees on the issue of bank loans to the Group

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Bank loans	**327.1**	343 9	**54.6**	54 5
	327.1	343 9	**54.6**	54 5

Bank loans include unamortised amounts relating to fees on the issue of bank loans to the Group of £1 3m (2008 £2 1m), and to the Company of £0 4m (2008 £0 5m)

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Analysis of bank loans				
Amounts payable within one year	**17.1**	16 7	-	-
Between one and two years	**21.5**	17 1	-	-
Between two and five years	**305.6**	137 7	**54.6**	54 5
Over five years	-	189 1	-	-
	344.2	360 6	**54.6**	54 5

The Group is financed by two bank loans Delphi Properties Limited holds a loan which is secured by a fixed charge over its freehold and long leasehold property, bears interest at a fixed margin above LIBOR and is repayable quarterly to March 2012

The second loan is secured by way of a debenture over the other assets of the borrower, bears interest at a margin above LIBOR and is repayable on a quarterly basis to March 2012 Additional undrawn working capital facilities of £15 million are also available to the Group under this facility, until March 2012

On 3 July 2009 the terms of the facilities held by the Group were amended As part of the amended terms, it was agreed to issue a warrant over 97 5% of the issued share capital of Delphi Properties Holdings Limited to the bankers of Delphi Properties Limited The warrant was issued on 8 July 2009 and is exercisable between August 2011 and May 2013

The fair value of services received in connection with the warrant, which has no vesting conditions, formed part of the transaction arrangements in relation to the facilities provided Consequently the fair value of the warrant was estimated directly based on the value to the warrant holder

The fair value of the warrant was calculated using the Black-Scholes model and was estimated to be £nil, principally due to the assumption that the share value of the Delphi Properties Holdings Limited Group at valuation date was £nil The Delphi Properties Holdings Limited Group is not permitted to pay dividends under the terms of the financing

Management have used interest rate swaps in order to fix interest rates over the remaining terms of the loans to reduce their exposure to interest rate risk

Notes *(contınued)*

15 Provisions for liabilıtıes and charges

	Guarantee provısıon £m	Deferred Taxatıon £m	Total £m
Group			
As at 3 August 2008	11 1	0 6	11 7
Charged ın the perıod to profit and loss account	5 2	-	5 2
Utılısed ın the perıod	(5 7)	(0 6)	(6 3)
Liability as at 1 August 2009	**10.6**	**-**	**10.6**

The Company had neıther a deferred tax lıabılıty or asset ın eıther the current or prıor perıod

The guarantee provısıon ıs calculated on the basıs of turnover durıng the current and prevıous accountıng perıods and reflects the estımated cost of the guarantee provıded to retaıl customers

Deferred taxation

The asset recognısed for deferred taxatıon, calculated at a corporatıon tax rate of 28% (2008 28%), ıs set out below

	Group 2009 £m	Group 2008 £m
Accelerated capıtal allowances	**1.8**	4 0
Other tımıng dıfferences	**(3.2)**	(3 4)
(Asset)/lıabılıty	**(1.4)**	0 6

Notes *(continued)*

16 Called up share capital

Ordinary shares of £1 each	Number '000	2009 £m	Number '000	2008 £m
Authorised	**20,000**	**20.0**	20,000	20 0
Allotted, called up and fully paid	**10,185**	**10 2**	10,185	10 2

17 Reserves

	Share premium account £m	Profit and loss account £m
Group		
As at 2 August 2008	36 2	(33 6)
Profit for the period	-	8 3
As at 1 August 2009	**36.2**	**(25.3)**
Company		
As at 2 August 2008	36 2	20 2
Loss for the period	-	(10 0)
As at 1 August 2009	**36.2**	**10.2**

18 Contingent liabilities

Bank guarantees in favour of HMRC amounting to £1,000 (2008 £1,000) have been counter-indemnified by DFS Trading Limited

DFS Furniture Company Limited has entered into a limited recourse share charge and the Group has entered into a debenture, containing a fixed and floating charge as security for bank facilities made available to the Group

Notes *(contınued)*

19 Capital commitments

Capıtal commıtments for whıch no provısıon has been made ın these accounts were as follows

	Group 2009 £m	Group 2008 £m
Contracted	**2.1**	0 2

The Company dıd not have any capıtal commıtments ın eıther the current or prıor perıod

20 Lease commitments

The annual commıtments under operatıng leases ın respect of land and buıldıngs were

	Group 2009 £m	Group 2008 £m
Leases expırıng		
Wıthın one year	**0.1**	0 3
Two to five years	**1.6**	0 8
Over five years	**25.9**	25 6
	27.6	26 7

The Company dıd not have any commıtments under operatıng leases

21 Pensıon commıtments

The Group operates a number of defined contrıbutıon schemes under whıch contrıbutıons by the employees and the Group are admınıstered by trustees ın funds separate from the Group's assets The costs of these schemes are charged to the profit and loss account as they become payable under the rules of the scheme The total pensıon cost of the Group for the perıod was £1 4m (2008 £1 4m)

Notes *(continued)*

22 Group cash flow statement

22 1 Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Operating profit	**43.0**	30 0
Depreciation	**15.4**	13 8
Amortisation of goodwill	**17.1**	17 1
Loss/(profit) on disposal of fixed assets	**1.4**	(0 4)
Decrease/(increase) in stocks	**0.2**	(0 4)
Increase in debtors	**(4.1)**	(1 2)
(Decrease)/increase in creditors and provisions	**(11.8)**	2 2
Net cash inflow from operating activities	**61.2**	61 1

22 2 Returns on investments and servicing of finance

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Interest received	**0.6**	1 5
Interest paid	**(25.8)**	(24 0)
	(25.2)	(22 5)

22 3 Capital expenditure

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Purchase of tangible fixed assets	**(6.8)**	(7 2)
Sale of fixed assets	**0.6**	0 8
	(6.2)	(6 4)

Notes *(continued)*

22 Group cash flow statement (continued)

22 4 Financing

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Repayments of secured loans	**(17.2)**	(16 8)
	(17.2)	(16 8)

22 5 Analysis of changes in net debt

	As at 2 August 2008 £m	Amortisation of fees offset £m	Cash flow £m	As at 1 August 2009 £m
Cash in hand, at bank	27 6	-	**1.2**	**28.8**
Debt due within 1 year	(16 7)	-	**(0.4)**	**(17 1)**
Debt due after 1 year	(343 9)	(0 8)	**17.6**	**(327.1)**
Total debt	(360 6)	(0 8)	**17.2**	**(344.2)**
Net debt	(333 0)	(0 8)	**18.4**	**(315.4)**

22 6 Reconciliation of net cash flow to movement in net debt

	52 weeks ended 1 August 2009 £m	53 weeks ended 2 August 2008 £m
Increase in cash in the period	**1.2**	8 0
Cash outflow from decrease of debt financing	**17.2**	16 8
Amortisation of fees offset	**(0.8)**	(0 5)
Change in net debt	**17.6**	24 3
Net debt at the beginning of the period	**(333.0)**	(357 3)
Net debt at the end of the period	**(315.4)**	(333 0)

Notes *(continued)*

23 Financial instruments

The fair value of the forward contracts outstanding as at 1 August 2009 is a loss of £2 4m (2008 £0 7m loss) The loss has not been recognised in these accounts as forward contracts mature over varying periods from the balance sheet date and the exchange rate is expected to fluctuate in the period up to maturity

24 Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 3(c) of FRS 8 "Related Party Transactions" not to disclose transactions with other Group companies There were no material related party transactions during the 52 weeks ended 1 August 2009

25 Ultimate controlling party

Full Circle Future Limited is the ultimate parent and controlling party of the group

26 Post balance sheet event

The Group was subject to a VAT tribunal case in the period A positive tribunal decision was received after the period end date and HM Revenue and Customs no longer have the right to appeal Accordingly an amount of £6 3m has been included in the profit for the period in accordance with FRS 21 as an adjusting post balance sheet event, representing £5 1m repayable by HM Revenue and Customs to the Group and accruals released of £1 2m