

DELPHI PROPERTIES LIMITED

REPORT AND ACCOUNTS

30 JULY 2011

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COMPANIES HOUSE

Company no 5394074

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Directors' report

The directors present their report together with the audited financial statements for the 52 weeks ended 30 July 2011. Comparative figures relate to the 52 weeks ended 31 July 2010.

Principal activities

The principal activity of the Company is the management and leasing of retail properties.

Business review and future developments

The Company leases all its freehold and long leasehold properties to DFS Trading Limited. Rents totaling £15.4m (2010 £15.0m) have been received in accordance with the lease arrangements and a profit, after financing charges of £2.5m (2010 loss of £0.8m) has been reported for the period.

Following the disposal of DFS Trading Limited and its parent company by Full Circle Future Limited on 9 June 2010, the tenant is no longer part of the same group of companies. The directors have therefore accounted for the freehold and leasehold properties as investment properties with effect from 10 June 2010.

Subsequently Full Circle Future Limited was placed into liquidation on 10 June 2010. This has had no impact on the company's ability to trade.

Business risks and uncertainty

The Company leases its freehold and long leasehold properties to DFS Trading Limited and is dependent on the receipt of rental income in order to meet its liabilities. It is also exposed to the risk of movements in interest rates with a resulting impact on the cost of finance and this risk is managed by an interest rate swap arrangement.

Results and dividends

The profit (2010 loss) on ordinary activities before taxation was £2.5m (2010 £0.8m). After providing for taxation, an amount of £1.3m (2010 £0.8m) has been transferred to (2010 from) reserves.

The directors do not recommend a final dividend and no interim dividend was paid during the period (2010 £nil).

The net assets (2010 net liabilities) of the Company were £12.1m at 30 July 2011 (2010 £19.9m).

Donations

There were no political or charitable donations made by the Company in the period (2010 £nil).

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

The Company is dependent on finance provided by its bankers. The current facility is due to expire on 12 April 2012 and although the directors are confident that the facility will be renewed on satisfactory terms for at least another year, negotiations have not yet formally commenced.

The directors acknowledge that until a new facility is agreed there is a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. However, the directors have prepared projected cash flow information for the Company for a period of twelve months from the date of their approval of these financial statements and have concluded that the Company should be able to continue in operational existence by meeting its liabilities as they fall due for payment. For this reason, and as set out in note 1 to the financial statements, they have continued to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor 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

8 Ebor Court
Redhouse Interchange
Adwick-le-Street
Doncaster
South Yorkshire
DN6 7FE

22 December 2011

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)

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 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 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Delphi Properties Limited

We have audited the financial statements of Delphi Properties Limited for the 52 weeks ended 30 July 2011 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 July 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is currently operating within the terms of its bank facility. However, this expires on 12 April 2012 and renewal negotiations have not yet commenced formally.

These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditor's report to the shareholder of Delphi Properties Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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 A Watts (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

13 January 2012

Profit and loss account

52 weeks ended 30 July 2011 (52 weeks ended 31 July 2010)

	Notes	2011 £m	2010 £m
Turnover	13	15.4	15.0
Cost of sales		-	(2.6)
Gross profit		15.4	12.4
Administrative expenses		(0.1)	(0.1)
Operating profit		15.3	12.3
Interest payable and similar charges	5	(12.8)	(13.1)
Profit/(loss) on ordinary activities before taxation	2	2.5	(0.8)
Taxation on profit/(loss) on ordinary activities	6	(1.2)	-
Profit/(loss) for the period	13	1.3	(0.8)

All activities were continuing throughout the current period and prior period

The notes on pages 9 to 14 form part of these financial statements

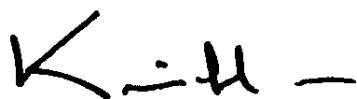
Balance sheet

as at 30 July 2011 (31 July 2010)

	Notes	2011 £m	2010 £m
Fixed assets			
Investment properties	7	204.7	174 0
		<u>204.7</u>	<u>174 0</u>
Current assets			
Current asset investments	8	-	5 4
Cash at bank and in hand		5.2	4 7
		<u>5.2</u>	<u>10 1</u>
Creditors: amounts falling due within one year	9	(197.6)	(9 5)
Net current (liabilities)/assets		<u>(192.4)</u>	<u>0 6</u>
Total assets less current liabilities		<u>12 3</u>	<u>174 6</u>
Creditors: amounts falling due after more than one year	10	-	(194 3)
Provisions for liabilities and charges	11	(0 2)	(0 2)
Net assets/(liabilities)		<u>12.1</u>	<u>(19 9)</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	(6.8)	(8 1)
Investment revaluation reserve	13	18 9	(11 8)
Shareholder's surplus/(deficit)		<u>12.1</u>	<u>(19 9)</u>

The notes on pages 9 to 14 form part of these financial statements

The financial statements were approved by the Board on 22 December 2011 and were signed on its behalf by



G Kirkham
Chairman



W R Barnes
Finance Director

Company number 5394074

Statement of total recognised gains and losses

52 weeks ended 30 July 2011 (52 weeks ended 31 July 2010)

	2011 £m	2010 £m
Profit/(loss) for the financial period	1.3	(0.8)
Revaluation of investment properties	30.7	(11.8)
Total recognised gains/(losses) relating to the financial period	32.0	(12.6)

Reconciliation of movements in shareholder's funds

52 weeks ended 30 July 2011 (52 weeks ended 31 July 2010)

	2011 £m	2010 £m
Profit/(loss) for the financial period	1.3	(0.8)
Revaluation of investment properties	30.7	(11.8)
Net increase in/(reduction to) shareholder's funds	32.0	(12.6)
Shareholder's deficit at the beginning of the period	(19.9)	(7.3)
Shareholder's surplus/(deficit) at the end of the period	12.1	(19.9)

The notes on pages 9 to 14 form part of these financial statements

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 Company. Where it is necessary to choose between accounting policies, those selected are judged by the directors to be the most appropriate to the Company'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.

The Company has taken advantage of the exemption available in FRS 1 (Revised) and does not present its own cash flow statement.

1.2 Going concern

The Company is dependent on finance provided by its bankers, with a balance of £189.9m being outstanding as at 30 July 2011. The Company has to date complied with the terms of this facility, which is due to expire on 12 April 2012. Although the directors are confident that the facility will be renewed on satisfactory terms for at least another year, negotiations have not yet formally commenced.

The directors acknowledge that until a new facility is agreed there can be no guarantee that funds to enable ongoing and orderly trading will continue to be available after April 2012, and this represents a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

The directors have prepared projected cash flow information for the Company for a period of twelve months from the date of their approval of these financial statements. Funds generated from the operations of the Company are expected to be adequate to satisfy bank loan repayment installments due, together with interest and other outgoings.

The directors have therefore concluded that provided the bank loans can be renewed on acceptable terms the Company should be able to continue in operational existence by meeting its liabilities as they fall due for payment. For this reason, they have continued to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Turnover

Turnover represents rental income receivable from retail properties under operating leases within the United Kingdom. Due to the nature of the Company's business, the directors do not believe that the Company has different classes of business as defined in SSAP 25. Accordingly the additional disclosures set out in SSAP 25 are not considered to be required.

1.4 Investment properties

Investment properties are shown at their open market value. Changes in market value of investment properties are taken to the statement of total recognised gains and losses, through the investment revaluation reserve. To the extent that a deficit (or its reversal) is expected to be permanent, the charge (or credit) is made in the profit and loss account for the period.

1.5 Depreciation

No depreciation is provided on assets held as investment properties.

1.6 Taxation

The charge for taxation is based on the loss 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".

Notes *(continued)*

1 7 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.

2 Profit/(loss) on ordinary activities before taxation

	52 weeks ended 30 July 2011 £m	52 weeks ended 31 July 2010 £m
Profit/(loss) on ordinary activities before taxation is stated after charging		
Depreciation	-	2.6

Auditor's remuneration in respect of these financial statements was £14,950 (2010 £10,000)

Fees paid to the auditors and their associates in respect of non-audit services amounted to £nil (2010 £nil)

3 Directors' emoluments

G Kirkham, JH Massey and WR Barnes received no remuneration for their services to the Company (2010 £nil)

4 Staff costs and numbers

The Company did not have any employees during the period (2010 nil) and therefore staff costs for the period were £nil (2010 £nil)

5 Interest payable and similar charges

	52 weeks ended 30 July 2011 £m	52 weeks ended 31 July 2010 £m
Bank	(12.6)	(12.9)
Other	(0.2)	(0.2)
Interest payable	<u>(12.8)</u>	<u>(13.1)</u>

Notes (continued)

6 Taxation on loss on ordinary activities

6.1 Analysis of charge for the period

	52 weeks ended 30 July 2011 £m	52 weeks ended 31 July 2010 £m
UK corporation tax		
Current year tax	0.7	-
Adjustments in respect of prior periods	0.5	-
	<hr/>	<hr/>
Total current tax (credit)/charge	1.2	-
	<hr/>	<hr/>
Deferred tax		
Current period	-	-
	<hr/>	<hr/>
Total deferred tax charge (note 11)	-	-
	<hr/>	<hr/>
Total tax charge	1.2	-
	<hr/>	<hr/>

6.2 Factors affecting the current tax charge for the period

The tax assessed for the period is higher (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are explained below

	52 weeks ended 30 July 2011 £m	52 weeks ended 31 July 2010 £m
Profit (2010 loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	0.7	(0.2)
Depreciation for period in excess of capital allowances	-	0.7
Adjustments in respect of prior periods	0.5	-
Permanently disallowable items	-	0.1
Group relief	-	(0.6)
	<hr/>	<hr/>
Total current tax charge	1.2	-
	<hr/>	<hr/>

6.3 Factors affecting the future tax charge

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effect from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 July 2011 has been calculated based on the rate of 25% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax accordingly.

Notes *(continued)*

7 Investment properties

	2011 £m	2010 £m
Investment properties	204.7	174.0

The investment properties have been revalued to open market value as at 30 July 2011, by an independent qualified chartered surveyor

8 Current asset investments

	2011 £m	2010 £m
Short term deposits	-	5.4
	-	5.4

9 Creditors: amounts falling due within one year

	2011 £m	2010 £m
Bank loan (see note 10)	189.8	1.8
Corporation tax	0.7	-
Accruals and deferred income	6.3	7.0
Social security and other taxes	0.8	0.7
	197.6	9.5

Bank loan includes £0.1 m (2010 £0.2m) of unamortised amounts relating to fees on the issue of the bank loan to the Company

Notes (continued)

10 Creditors amounts falling due after more than one year

	2011 £m	2010 £m
Bank loan	-	194.3

Bank loan includes £Nil (2010 £0.1m) of unamortised amounts relating to fees on the issue of the bank loan to the Company

Amounts payable within one year	189.8	1.8
Between one and two years	-	194.3
	<u>189.8</u>	<u>196.1</u>

The loan is secured by a fixed charge over the freehold and long leasehold property of the Company, bears interest at a fixed margin above LIBOR and is repayable quarterly to 12 April 2012. Delphi Properties Holdings Ltd, the Company's immediate parent company, has granted the lenders an option to acquire a controlling interest in its share capital for a nominal amount, exercisable between August 2011 and May 2013.

11 Provisions for liabilities and charges

	Deferred taxation £m
As at 31 July 2010	0.2
Charged in the period to the profit and loss account	-
As at 30 July 2011	<u>0.2</u>

Deferred taxation

The amount recognised for deferred taxation, calculated at a corporation tax rate of 25% (2010 28%) is set out below

	2011 £m	2010 £m
Accelerated capital allowances	0.2	0.2

Notes (continued)

12 Called up share capital

Ordinary shares of £1 each	Number	2011 £	Number	2010 £
Allotted and called up	1	1	1	1

The share capital remains unpaid

13 Reserves

	Profit and loss account £m	Investment revaluation reserve £m
As at 31 July 2010	(8.1)	(11.8)
Retained profit for the period	1.3	-
Revaluation of investment properties	-	30.7
As at 30 July 2011	(6.8)	18.9

14 Contingent liabilities

At 30 July 2011, there were no contingent liabilities (2010 £nil)

15 Capital commitments

At 30 July 2011, the Company had no capital commitments (2010 £nil)

16 Financial Instruments

The fair value of interest rate swap agreements outstanding as at 30 July 2011 is a loss of £11.1m. This is not being recognised in the accounts as interest rate swaps mature over varying periods from the balance sheet date and the interest rate is expected to fluctuate in the period up to maturity.

17 Related party transactions

There were no related party transactions following the change in ownership structure in the previous year.

18 Ultimate parent company and controlling party

The Company is a direct subsidiary undertaking of Delphi Properties Holdings Limited which is registered in England and Wales. The ultimate holding company and controlling party is Full Circle Future Limited which is registered in England and Wales. Full Circle Future Limited was placed into liquidation on 10 June 2010.