

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company

Delphi Properties Limited (In Administration)

Company number

05394074

In the High Court of Justice, Chancery Division
Companies Court

Court case number

8994/2013

(a) Insert full name(s)
and address(es) of
administrator(s)I / We (a) Alan Robert Bloom and Angela Swarbrickc/o Ernst & Young LLP, 1 More London Place, London, SE1 2AF

*Delete as applicable

attach a copy of ~~my~~ our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 11 February 2014

Signed

A Swarbrick

Joint / Administrator(s)

Dated

11 February 2014**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the

Sacha Russell

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Tel 0207 951 1002

DX Number

DX Exchange

WEDNESDAY

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"A31JOTNC"
12/02/2014
COMPANIES HOUSE

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When you have completed and signed this form please send it to the Registrar of Companies at

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

**Delphi Properties Limited (In
Administration)**

Administrators' statement of proposals

Pursuant to paragraph 49 of schedule B1 to the
Insolvency Act 1986

10 February 2014

Abbreviations

The following abbreviations are used in this report:

the Company	Delphi Properties Limited (In Administration)
the Properties	Leasehold / freehold interests in 27 retail and warehouse properties
EY	Ernst & Young LLP
the Joint Administrators	Angela Swarbrick & Alan R Bloom
the Lenders	The Governor and Company of the Bank of Ireland, Isobel Assetco Ltd, Santander UK Plc, KW Real Estate III Ltd, Burlington Loan Management Ltd, and Deutsche Bank AG (London Branch)
the Loan	A facility agreement with the Lenders dated 25 March 2005 for £200,000,000 (as amended and restated thereafter)
the SPA	The Sale and Purchase Agreement dated 18 December 2013 between the Company, the Joint Administrators and the Purchaser
the Purchaser	Butterfield Trust (Guernsey) Limited and Moulinet Trustees Limited as trustees of LMP Retail Warehouse JV Property Unit Trust, a joint venture between BRAVO Strategies II LLC and LondonMetric Property Plc
the Agent	The Governor and Company of the Bank of Ireland (acting as agent for the Lenders)
the Costs Funding Letter	A funding agreement dated 18 December 2013 between the Governor and Company of the Bank of Ireland (as agent for the Lenders) and the Joint Administrators

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1. Introduction, background and circumstances giving rise to the appointment

Introduction

On 18 December 2013, the Company entered administration and A Swarbrick and AR Bloom were appointed to act as Joint Administrators. This document, including its appendices, constitutes the Joint Administrators' statement of proposals to creditors pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.33 of the Insolvency Rules 1986.

Certain statutory information relating to the Company and the appointment of the Joint Administrators is provided at Appendix A.

Background

The Company is a real estate holding company which does not trade or have any employees. Its primary assets are leasehold / freehold interests in 27 retail and warehouse properties ("the Properties") which are let to a single tenant (DFS Trading Limited), under 25 year fully repairing and insuring leases, which expire in 2030.

The Company is 100% owned by Delphi Properties Holdings Limited, which we understand is in turn owned by the Right Honourable, The Lord Kirkham ("Lord Kirkham"), the original founder of DFS Trading Limited. The ultimate parent company of Delphi Properties Holdings Limited was formerly Full Circle Future Limited, which is in Members' Voluntary Liquidation. We understand that the liquidators have made a distribution in specie of the shares in Delphi Properties Holdings Limited to Lord Kirkham.

The Company used to be part of the DFS group, until 2010 when Lord Kirkham sold his interest in the operating side of the group. Following the disposal, Lord Kirkham retained indirect ownership of the Company, which continued to let the Properties to DFS Trading Limited.

The recent financial results of the Company can be summarised as follows:

Period	Type	Turnover £000	Gross profit £000	Directors' remuneration £000	Net profit after tax £000	Accumulated reserves £000
Year ended 27 July 2013	Draft	16,300	16,300	-	1,000	(33,200)
Year ended 27 July 2012	Audited	15,900	15,900	-	1,800	(20,400)

Circumstances Giving Rise to the Appointment of the Administrators

Financing structure and security

The Company entered into a facility agreement with a syndicate of lenders ("the Lenders"), dated 25 March 2005 for £200,000,000 (as amended and restated thereafter) ("the Loan"). The debt was secured by way of debentures dated 31 March 2005, issued by the Company and Delphi Properties Holdings Limited. This security included fixed charges over the Properties and the associated rental income. The Lenders' security also comprises an unlimited guarantee granted by Delphi Properties Holdings Limited.

On 31 March 2005 the Company also entered into a series of interest rate swap agreements which were due to expire in March 2014. At the date of our appointment, we understand that the mark-to-market value of the swaps was estimated to be c. £3.5m (out of the money). Amounts due in relation to the swaps are also secured against the assets of the Company.

The swaps were terminated by the swap counterparties following the appointment of the Joint Administrators and the associated break costs (calculated by the swap counterparties to be c £3.4m) rank par passu to the amounts due to the Lenders under the Loan. Information relating to the swap termination costs is in the process of being obtained by the Joint Administrators.

On the Loan maturity date in April 2012, the Company was unable to repay the Loan. This non-repayment was an ongoing event of default.

Since the maturity default, the Company continued to meet interest payments in respect of the Loan and the swaps. However, given the level of indebtedness of the Company and the value of the Properties (c. £150m at October 2013), the Company was unable to re-finance or repay the Loan. In addition, we understand that the Company had indicated to the Lenders that there was no prospect of the shareholders investing further capital, particularly given that the parent company (Full Circle Future Limited) was in members' voluntary liquidation.

Following the maturity default, we understand that the Lenders reviewed other options in respect of the Loan, including a piecemeal disposal of the Properties and exploring planning opportunities in respect of the Properties. However, these options did not appear to allow for a repayment of the Loan.

Background to our appointment

EY was approached by the Lenders in December 2012 to identify the options available to them in relation to the defaulted loan. Prior to this time, the Joint Administrators and their firm had no prior engagement with the Company.

At this time, property valuation work performed for the Lenders indicated that there would be a number of challenges in regard to finding a purchaser for the property portfolio, due to the single tenant risk, the Properties being over rented, the secondary property locations and limited alternative use for the sites.

In summer 2013, we understand that one of the Lenders approached an investor which was known to already lease a number of properties to DFS Trading Limited, with a view to gauging their interest in a portfolio purchase. This investor was considered to be a special interest purchaser as they were very comfortable and familiar with the tenant covenant as they own other properties which they let to the DFS group. This special interest is reflected in the purchase price detailed in Section 2.

The directors of the Company were made aware that a potential purchaser had been identified and they agreed to effect a solvent consensual sale of the shares in the Company and cooperate with the necessary due diligence requirements.

At the start of October 2013, the Lenders engaged EY to carry out further options analysis and contingency planning, in the event that a solvent sale by the directors was not feasible and an insolvency process was required to effect a sale.

The low base cost of the Properties meant that if the Purchaser acquired the shares of the Company, a significant capital gains tax ("CGT") liability would be payable by them on any future sale of the Properties. Therefore, the Purchaser was unwilling to acquire the shares of the Company but only the Properties themselves. However, it was unlikely that the transaction involving a sale of the Properties could be effected solvently, as the directors could not execute a transaction which would create a CGT liability which the Company could not then meet.

As such, an administration was therefore required to sell the Properties and we were asked by the directors to act as administrators to effect the sale in order to secure the best result for the creditors of the Company as a whole.

Joint Administrators' pre-administration remuneration

Pre-administration costs have been incurred by the Joint Administrators in regard to the options analysis and contingency planning carried out prior to our appointment under an engagement agreement dated 9 October 2013 with the Lenders. The Lenders have agreed that these pre-appointment costs will be paid out of fixed charge realisations, after completion of the transaction (scheduled for 25 March 2014).

Further details of the above mentioned pre-administration work can be found in Section 6 of this report and a breakdown of fees can be found in Appendix E.

2. Purpose, conduct and end of administration

Purpose of the administration

The purpose of an administration is to achieve one of three objectives

- a to rescue the company as a going concern,
- b to achieve a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
- c to realise property in order to make a distribution to one or more secured or preferential creditors

Insolvency legislation provides that objective (a) should be pursued unless it is not reasonably practicable to do so or if objective (b) would achieve a better result for the company's creditors as a whole. Objective (c) may only be pursued if it is not reasonably practicable to achieve either objective (a) or (b) and can be pursued without unnecessarily harming the interests of the creditors of the company as a whole.

The objective being pursued is to achieve a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration). The Joint Administrators believe that the sale of the principal assets of the Company via an administration process allowed for a better result for creditors as a whole than would be achieved through an immediate liquidation due to the preservation of the value of the assets that administration is expected to allow for.

Conduct of the administration

Pre-packaged sale of the assets

On 18 December 2013, the Joint Administrators exchanged contracts with the Purchaser on a sale of the Company's real estate assets, for total consideration of £175,000,000. Completion is due to take place on 25 March 2014. Completion of the sale of five of the long leasehold properties is subject to the freeholder consenting to the assignment of the leases to the Purchaser. We continue to work with the Purchaser's legal advisors to obtain the necessary consents.

A deposit of £5,000,000 was received on 18 December 2013 and the remaining £170,000,000 will be paid on completion. The sale price was the best reasonably obtainable given the circumstances.

In accordance with Statement of Insolvency Practice 16 ("SIP16"), a detailed explanation of the transaction was sent to creditors on 20 December 2013 and is also attached at Appendix F.

Rent collection

The Company is a property holding company and collects rental income from the tenant (DFS Trading Limited). The rental income is subject to a fixed charge in favour of the Lenders. The Joint Administrators have issued an invoice and collected rent of £5,030,131 (incl. VAT) for the period 27 January 2014 to 26 April 2014. Under the terms of the Sale and Purchase Agreement ("SPA"), the rental income for this period will be apportioned to the Lenders for the period 27 January 2014 to 24 March 2014 and to the Purchaser for the period 25 March 2014 to 26 April 2014.

Nominated properties

The Purchaser agreed to purchase all 27 of the properties owned by the Company, on the condition that clauses were added to the SPA which would permit them to nominate a third party to purchase six "nominated properties" on completion. These nominated properties

were deemed to be non-core to the Purchaser's business. This allowed the Joint Administrators to secure a sale of all 27 properties, whilst also giving the Purchaser the flexibility to adjust the portfolio to suit their strategic needs, providing they were able to secure a buyer of the nominated properties before completion. The sub-sales of the nominated properties would be subject to the same terms as the SPA agreed with the Purchaser.

Since signing the SPA, the Purchaser has identified two additional properties which they deem to be non-core and the Purchaser has requested that the nominated property clauses are extended to apply to these two properties. This would allow the Purchaser to group together a total of seven non-core properties and market the resulting portfolio for sale to a nominated buyer.

The Purchaser has also been approached by a third party who wishes to purchase the Stoke property, which is also a "non-core" asset to the Purchaser. This property was also not identified as a nominated property in the SPA. As above, the Purchaser has therefore requested that the nominated property clauses are extended to apply to this property.

The extension of the nominated property clauses in the SPA to include the additional properties has received majority secured lender consent and the Joint Administrators are currently working with the Purchaser to try to achieve these sub-sales.

Final transaction

All sale proceeds will be allocated to fixed charge holders.

The completion of the sale of five of the long-leasehold properties in the portfolio is subject to the freeholders consenting to the assignment of the leases to the Purchaser. If consent is not granted, then these properties will not form part of the transaction and the purchase price will be subject to a reduction equivalent to the value attributed to the properties for which consent is not granted, as set out in the SPA.

We understand that Lord Kirkham will take a minority stake in the acquisition vehicle, however we have not been provided with specific details of his interest in the purchasing entity. The Lord Kirkham is a Director of Delphi Properties Limited and Delphi Properties Holdings Limited and is the ultimate shareholder of the Company.

Administrators' receipts and payments

A summary of the Administrators' receipts and payments for the period from 18 December 2013 to 31 January 2014 is attached at Appendix D.

Initial meeting of creditors

The Joint Administrators are of the opinion that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part and consequently, in accordance with the provisions of paragraph 52(1) of Schedule B1 to the Act, they do not intend to call an initial creditors' meeting. As noted in Section 4, there will be no floating charge realisations and therefore a prescribed part is not available.

The Joint Administrators will be obliged to call an initial meeting of creditors if it is requested by creditors of the Company whose debts amount to at least 10% of the total debts of the Company. The request must be made within 8 business days of the date on which these proposals are sent out (or such longer period as the court may allow) and must be in the prescribed form. The creditor summoning the meeting must lodge with the Joint Administrators a deposit as security for the expenses of summoning and holding the meeting. Further information is provided in the covering letter accompanying these proposals.

Future conduct of the administration

The sale of the Properties is due to complete on 25 March 2014. The Joint Administrators will complete all statutory tasks, as required by the Insolvency Act 1986 and Company Directors Disqualification Act 1986, as well as comply with all obligations under the SPA during the

remainder of the administration. This includes assisting the Purchaser with obtaining the necessary landlord consent for five of the leasehold properties, as well as assisting with the sub-sales of nominated Properties.

Once all of the Joint Administrators' statutory duties and obligations under the SPA have been fulfilled, it is intended that the Company will move straight to dissolution. If no unforeseen issues arise, we expect the administration to be concluded during the summer of 2014.

The end of the administration

It is proposed that, if at the end of the Administration the Company has no property which might permit a distribution to its creditors, the Joint Administrators will send a notice to that effect to the registrar of companies. On registration of the notice the Joint Administrators' appointment will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Company will be deemed to be dissolved three months after the registration of the notice.

3. Statement of Affairs

The directors have submitted their Statement of Affairs as at 18 December 2013. A summary is attached at Appendix B.

The value of the Properties in the Statement of Affairs was based on a valuation carried out by Cushman & Wakefield LLP on behalf of the Company, dated July 2013. The Joint Administrators note that this is £18,507,000 lower than the gross purchase price achieved for the Properties.

Cash at bank (rent account) of £145,329 has been verified to the bank statements.

Prepayments relate to Bank of Ireland agency fees in respect of the Loan which will not be recoverable as the Joint Administrators continue to rely on the services provided by Bank of Ireland, who act as agent for the Lenders.

We provide below, for information, an indication of the current position with regard to creditors' claims. The figures have been compiled by Company management and have not been subject to independent review or statutory audit.

Secured creditors

The Properties and rental income are subject to fixed charges in favour of the Lenders. The Lenders' indebtedness at the date of our appointment (including loan and interest outstanding) is £186,697,908.

The secured creditor amounts in the Statement of Affairs do not include the break costs associated with the termination of the swap following the appointment of the Joint Administrators. The swap counterparties have advised that total swap termination costs will be £3,395,552.50.

Preferential creditors

The Company did not have any employees and therefore, there are no preferential creditors.

Non-preferential creditors

As noted in the Statement of Affairs, unsecured creditors are estimated to be £788,798. These creditor claims continue to be submitted.

4. Prescribed part

The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.

There will be no floating charge realisations and therefore no distribution to unsecured creditors. As such, there will be no net property and no prescribed part.

5. Administrators' remuneration and disbursements and payments to other professionals

Remuneration

The statutory provisions relating to remuneration are set out in Rule 2 106 of the Insolvency Rules 1986. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Insolvency Practitioners Association at <http://www.insolvency-practitioners.org.uk> (follow 'Regulation and Guidance' then 'Creditors' Guides to Fees' then 'Administrators Fees (November 2011)'), or is available in hard copy upon written request to the Joint Administrators

The Costs Funding Letter executed between the Lenders and the Joint Administrators, approved the payment of the Joint Administrators' reasonable remuneration and all reasonable costs, fees and expenses properly incurred by the Joint Administrators in connection with the administration of the Company from funds made available by the Lenders

As per the Costs Funding Letter, the Joint Administrators will obtain the consent of the Agent, prior to the payment of any of the Joint Administrators' fees and disbursements

In the event that a creditors' meeting is not requisitioned and a creditors' committee is not formed, the Joint Administrators will seek to have their remuneration fixed by the secured creditor(s) in accordance with Rule 2 106(5A) of the Rules. The Joint Administrators will ask for their remuneration to be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration

Attached at Appendix C is a detailed analysis of time spent and charge out rates, for each grade of staff for the various areas of work carried out to 31 January 2014, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No 9

During this period, the following tasks were undertaken

- ▶ Statutory duties (including but not limited to, appointment documentation and filing of documents at Companies House, Statement of Affairs review and filing, SIP16 requirements to creditors, stakeholder notifications, preparation of Joint Administrators' Proposals),
- ▶ Correspondence with Lenders and termination of swap positions,
- ▶ General correspondence with creditors and quantifying creditor claims,
- ▶ Correspondence with landlords, arranging property insurance cover, responding to ad hoc property queries and collection of rent for the quarter ending 26 April 2014,
- ▶ Correspondence with HMRC and agreement of the VAT group status, and
- ▶ Correspondence with the directors of the Company

Disbursements

Appendix C also includes a statement of the Joint Administrators' policy for charging disbursements, as well as details of disbursements incurred to date

Payments to other professionals

The Joint Administrators have engaged the following other professionals to assist them. They were chosen on the basis of their involvement in the administration planning process and their experience in similar assignments.

Name of firm	Nature of service	How contracted to be paid
Ashurst LLP	Legal advice	Time cost basis
Harper MacLeod LLP	Scottish legal advice	Time cost basis

No fees have been paid to date.

6. Pre administration costs

The Joint Administrators' unpaid pre-administration fees are £230,000 (excl VAT)

These fees are in regard to Ernst & Young LLP's engagement with the Lenders prior to the administration, as agreed in our engagement letter with the Lenders dated 9 October 2013. Amongst other things, the Joint Administrators were requested to

- ▶ Analyse the offer received and ensure that it represented the best interests of the creditors as a whole, giving due regard to the property valuation information available,
- ▶ Facilitate the due diligence process with the Purchaser and their advisors,
- ▶ Comment on the key considerations to be worked through to effect the pre-pack transaction,
- ▶ Document the key steps to implement the transaction,
- ▶ Consider the key tax issues arising when structuring the transaction,
- ▶ Assist with the negotiation of the sale and purchase agreement, and
- ▶ Prepare for a potential appointment as Joint Administrators

This pre-administration work presented the Lenders with the various transaction options available and allowed a sale price to be secured by the Lenders which was in excess of the current market values of the Properties. Our pre-appointment work helped to secure a transaction with the Purchaser which resulted in a better result for creditors as a whole and also allowed for a smooth transition into administration.

A breakdown of the total pre administration costs incurred and amounts paid pre administration (if any) is attached at Appendix E. The breakdown attached at Appendix E sets out

- ▶ The fees charged by the administrator,
- ▶ The expenses incurred by the administrator,
- ▶ The fees charged (to the administrator's knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately), and
- ▶ The expenses incurred (to the administrator's knowledge) by any other person qualified to act as an insolvency practitioner (and if more than one, by each separately)

Payment of these fees is governed by the terms of our engagement letter with the Lenders, signed on 9 October 2013. These fees are expected to be paid from fixed charge realisations following completion.

Appendix A Statutory information

Company Information

Company Name	Delphi Properties Limited (In Administration)
Registered Office Address	Joint Administrators 1 More London Place London SE1 2AF
Registered Number	05394074
Trading Name(s)	None
Trading Address(es)	None

Details of the Administrators and of their appointment

Administrators	A Swarbrick and A Bloom
Date of Appointment	18 December 2013
By Whom Appointed	The appointment was made by the Company's Directors
Court Reference	High Court of Justice, Chancery Division, Companies Court 8994/2013

Any of the functions to be performed or powers exercisable by the Joint Administrators may be carried out by any one of them acting alone or by any or all of them acting jointly

Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State

Share capital

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary Shares	1	1 00	1	1 00
Note Delphi Properties Holdings Limited is the sole shareholder				

Directors and secretary and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
William R Barnes	Director	16/03/2005	31/01/2014	None
The Lord Kirkham	Director	18/03/2005	-	None
Jonathan H Massey	Director	16/03/2005	31/01/2014	None

Appendix B Directors' statement of affairs

Mr WR Barnes (Company director) completed the Company's Statement of Affairs. The remaining two directors (Mr JH Massey and The Lord Kirkham) completed statements of concurrence, agreeing with the submitted Statement of Affairs.

Rule 2.29

Form 2.14B

Statement of affairs

Name of Company Delphi Properties Limited (In Administration)	Company number 05394074
In the High Court of Justice Chancery Division Companies Court <small>(full name of court)</small>	Court case number 8994/2013


(a) Insert name and address of registered office of the company

Statement as to the affairs of (a) Delphi Properties Limited (In Administration)
c/o Ernst & Young LLP, 1 More London Place, London, SE1 2AF

(b) Insert date on the (b) 18 December 2013, the date that the company entered administration

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs to the best of knowledge
of the above named company as at (b) 18 December 2013, the date that the company entered administration

Full name WILLIAM ROBERT BARNES
Signed 
Dated 10 / 14

A – Summary of Assets

Assets	Book Value (£)	Estimated to Realise (£)
Assets subject to fixed charge		
Investment Properties *	156 493 000	156 493 000
Cash at bank	145 329	145 329
Assets subject to floating charge		
Prepayments	13 520	–
Uncharged assets		
	NIL	–
Estimated total assets available for preferential creditors	156 651 849	156 638 329

Signature WJ Date 10.1.14

* Recorded at book value from July 2013 Cushman + Wakefield valuation
Potential sale at 18.12.13 noted but unclear as to net proceeds receivable.

ADM01800

A1 – Summary of Liabilities

		Estimated to realise (£)
Estimated total assets available for preferential creditors (carried from page A)	£	156 638 329
Liabilities	£	
Preferential creditors -	£	188 333 819
Estimated deficiency/surplus as regards preferential creditors	£	(31 695 490)
Estimated prescribed part of net property where applicable (to carry forward)	£	
Estimated total assets available for floating charge holders	£	
Debts secured by floating charges	£	
Estimated deficiency/surplus of assets after floating charges	£	
Estimated prescribed part of net property where applicable (brought down)	£	
Total assets available to unsecured creditors	£	
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£	788 798
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	£	(788 798)
Shortfall to floating charge holders (brought down)	£	
Estimated deficiency/surplus as regards creditors	£	(32 484 288)
Issued and called up capital	£	(1)
Estimated total deficiency/surplus as regards members	£	(32 484 289)

Signature



Date

10.1.14

COMPANY CREDITORS

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements and customers claiming amounts paid in advance of the supply of goods or services and creditors claiming retention of title over property in the company's possession

Name of creditor or claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
Bank of Ireland (as Agent)	2 Burlington Plaza, Burlington, Dublin 4, Eire	184,315.54	Fixed and floating charges	31/3/2005	184,315.564
" " "	" " "	622,908	" " "	"	622,908
Bank of Ireland	Nav Century House, Mayes St Lane, 158, Dublin 1, Eire	1698,314	" " "	"	1,698,314
RBS	135 Bishopsgate, London, EC2M 3UL	1253,631	" " "	"	1,253,631
Lloyds Bank	Po Box 595, Farness House, 25 Minster St, London, EC3R 8BQ	443,402	" " "	"	443,402
"	"	188,333.819	"	"	"
"	"	"	"	"	"
"	"	"	"	"	"
"	"	"	"	"	"
CR	"	188,333.819	"	"	"

Bank Loan
Account Interest
Swap
" "
" "

Signature

WJY

Date

10/1/14

AD001803 * Shown net of payment of £1,759,436 from bank account on 17/12/13 which is under no to purpose

VAT	Capita
-----	--------

Wm

Date 10-14-14

Signature _____

ADAMS 1003

Wm

10114

A01401803

Appendix C Statement of administrators' charging policy for remuneration and disbursements pursuant to Statement of Insolvency Practice No. 9

Charging and disbursement policy

Administrator's charging policy for remuneration

The Administrators have engaged managers and other staff to work on the Administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established for the case. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The current hourly rate for each category of staff over the period is shown below.

SIP9 analysis of time spent

Joint Administrators' time costs for the period 18 December 2013 to 31 January 2014

Activity	Partner / Director	Assistant Director / Senior Executive	Executive / Assistant Executive	Assistants & Support	Total
Accounting & Administration	-	3.3	43.7	3.9	50.9
Bank & Statutory Reporting	0.5	52.5	43.3	0.2	96.5
Creditors	-	5.5	1.2	-	6.7
Immediate Tasks	2.5	8.0	-	-	10.5
Job Acceptance & Strategy	6.0	-	10.0	-	16.0
Nominated properties	-	15.0	2.7	-	17.7
Property	1.3	20.5	8.0	-	29.8
Sale of Business/SPA	-	1.5	-	-	1.5
VAT & Taxation	6.0	12.3	9.7	5.0	33.0
Grand Total	16.3	118.6	118.6	9.1	262.6
Total Cost	14,845.01	58,181.0	35,603.0	1,858.6	110,487.6
Average Hourly Rate	910.7	490.6	300.2	204.2	420.7

Charge out rates for period 1 July 2013 to 30 June 2014

Grade	Rates (£ per hour)
Restructuring	
Partner	850
Assistant Director	595
Senior Executive	440
Executive	325
Assistant Executive	295
Cashiers	235
Business Trainee	180
Tax	
Partner	1,170
Assistant Director	835
Senior Executive	705
Executive	435

Administrators' charging policy for disbursements

Statement of Insolvency Practice No 9 divides disbursements into two categories

Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee or the general body of creditors. In line with Statement of Insolvency Practice No 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as may reasonably be required to support the disbursements drawn.

During the period 18 December 2013 to 31 January 2014, no Category 1 disbursements have been incurred.

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. Statement of Insolvency Practice No 9 provides that such disbursements are subject to approval as if they were remuneration.

We do not intend to charge Category 2 disbursements in this case.

Appendix D Administrators' receipts and payments account for the period from 18 December 2013 to 31 January 2014

Statement of Affairs (£)	RECEIPTS	Total (£)
145,329 ¹	<u>Fixed charge realisations²</u>	
156,493,000	Property ³	-
-	Rental Income (27 January 2014 to 26 April 2014)	4,191,776 24
-	Transfer of funds as per Costs Funding Letter	597,317 00
-	Bank Interest	72 01
-	VAT Payable	838,355 25
	<u>Floating charge realisations</u>	
13,520	Prepayments ⁴	-
		<hr/> 5,627,520 50 <hr/>
	PAYMENTS	
	Directors' and Officers' Insurance	41,870 00
	Sundry Expenses	195 00
	Payments to approved creditors ⁵	56,053 36
	VAT Receivable	11,210 67
		<hr/> 109,329 03 <hr/>
	Net Receipts/(Payments)	<hr/> 5,518,191.47 <hr/>
	Represented by	
	Interest Bearing Account	5,518,191 47

Notes

- 1 An amount of £145,329 is held in the Company's rent account with The Bank of Ireland. All monies in this bank account are subject to a fixed charge in favour of the Lenders.
- 2 A deposit of £5,000,000 was paid by the Purchaser on exchange and is being held in trust by the Joint Administrators' legal advisors.
- 3 As noted in this report, the total consideration to be received for the real estate assets of the Company upon completion of the transaction is £175,000,000 (including the £5,000,000 deposit noted above). The value per the Statement of Affairs reflects the Cushman & Wakefield LLP valuation commissioned by the Company in July 2013.
- 4 As noted in this report, the prepayments relate to Bank of Ireland agency fees in respect of the Loan, which will not be recoverable as the Joint Administrators continue to rely on the services provided by Bank of Ireland, who act as agent for the Lenders.
- 5 These payments were approved by the Lenders and have been paid from fixed charge realisations.
- 6 Receipts and payments are stated net of VAT.

Appendix E Statement of pre-administration costs

Statement of pre-administration costs

	Administrator		Other IP		Details
	Remuneration £	Expenses £	Remuneration £	Expenses £	
Time costs					Please see Section 6 for details of the work carried out
Restructuring advice	165,000	94 01			
Tax advice	65,000	-			
Total costs incurred	230,000.00	94 01	-	-	
Paid before the administration					
Time costs	-	-	-	-	
Unpaid pre-administration costs	230,000 00	94 01	-	-	

Unpaid pre-administration costs are costs which had not been paid at the date of administration and are still outstanding. Payment of pre-administration costs are governed by the terms of our engagement letter with the Lenders, signed on 9 October 2013. These fees are expected to be paid from fixed charge realisations following completion.

Appendix F Detailed Explanation of Pre-Pack Transaction



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TO ALL KNOWN CREDITORS

20 December 2013

Ref: ASI/AH/JH/RB/D05 13
Direct line: 0113 298 2577
Direct Fax: 0207 9519997
Robert Bellerby
rbellerby@uk.ey.com

Dear Sirs

Delphi Properties Limited (in Administration) ("the Company")

On 18 December 2013 the Company entered administration and Alan Bloom and I were appointed as Joint Administrators. The appointment was made by the Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986. I enclose a copy of Form 2.12B, for your information.

Sale of the business

On 18 December 2013 we exchanged contracts on a sale of the Company's real estate assets, for total consideration of £175,000,000 to Butterfield Trust (Guernsey) Limited and Moulinet Trustees Limited as trustees of LMP Retail Warehouse JV Property Unit Trust, a joint venture between BRAVO Strategies II LLC and LondonMetric Property Plc (together, "the Purchaser"). Completion is due to take place on 25 March 2014.

In accordance with Statement of Insolvency Practice 16, a detailed explanation of the transaction is set out below. The information is provided to the best of our knowledge.

Background

The Company is a real estate holding company which does not trade or have any employees. Its primary assets are leasehold / freehold interests in 27 retail and warehouse properties ("the Properties") which are let to a single tenant (DFS Trading Limited), under 25 year fully repairing and insuring leases, which expire in 2030.

The Company is 100% owned by Delphi Properties Holdings Limited, which we understand is in turn owned by the Right Honourable, The Lord Kirkham, the original founder of DFS Trading Limited.

The Company used to be part of the DFS group, until 2010 when Lord Kirkham sold his interest in the operating side of the group. Following the disposal, the Right Honourable, The Lord Kirkham retained indirect ownership of the Company, which continued to let the Properties to DFS Trading Limited.

Financing structure and security

The Company entered into a facility agreement with a syndicate of lenders ("the Lenders"), dated 25 March 2005 for £200,000,000 ("the Loan"). The debt was secured by way of debentures dated 31 March 2005, issued by the Company and Delphi Properties Holdings Limited. This security included fixed charges over the Properties and the associated rental income. The Lenders' security also comprises an unlimited guarantee granted by Delphi Properties Holdings Limited.

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The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC330001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

On 31 March 2005 the Company also entered into a series of interest rate swap agreements which expire in March 2014. At the date of our appointment, we understand that the mark-to-market value of the swaps was estimated to be c. £3.5m (out of the money). Amounts due in relation to the swaps are also secured against the assets of the Company.

The swap will be terminated by the swap counterparties following the appointment of the Joint Administrators and the associated break costs rank *pari passu* to the amounts due to the Lenders under the Loan. We have been in contact with the swap counterparties who advise that they are in the process of terminating the swaps.

On the Loan maturity date in April 2012, the Company was unable to repay the Loan. This non-repayment is an ongoing event of default.

Since the maturity default, the Company has continued to meet interest payments in respect of the Loan and the swap. However, given the level of indebtedness of the Company and the value of the Properties (c. £150m at October 2013), the Company has been unable to re-finance or repay the Loan. In addition, we understand that the Company had indicated to the Lenders that there was no prospect of the shareholders investing further capital, particularly given that the parent company (Full Circle Future Limited) was in members' voluntary liquidation.

Following the maturity default, we understand that the Lenders had reviewed other options in respect of the Loan, including a piecemeal disposal of the Properties and exploring planning opportunities in respect of the Properties. However, these options did not appear to allow for a repayment of the Loan.

Background to our appointment

EY was approached by the Lenders in December 2012 to identify the options available to them in relation to the defaulted loan. Prior to this time, the Joint Administrators and their firm had no prior engagement with the Company.

At this time, property valuation work performed for the Lenders indicated that there would be a number of challenges in regard to finding a purchaser for the property portfolio, due to the single tenant risk, the Properties being over rented, the secondary property locations and limited alternative use for the sites.

In summer 2013, we understand that one of the Lenders approached an investor which was known to already lease a number of properties to DFS Trading Limited, with a view to gauging their interest in a portfolio purchase. This investor was considered to be a special interest purchaser as they were very comfortable and familiar with the tenant covenant as they own other properties which they let to the DFS group. This special interest is reflected in the purchase price detailed below.

The directors of the Company were made aware that a potential purchaser had been identified and agreed to effect a solvent consensual sale of the shares in the Company and cooperate with the necessary due diligence requirements.

At the start of October 2013, the Lenders engaged EY to carry out further options analysis and contingency planning, in the event that a solvent sale by the directors was not feasible and an insolvency process was required to effect a sale (for the reasons which are set out later in this letter). Amongst other things, the Joint Administrators were requested to

- ▶ Analyse the offer received and ensure that it represented the best interests of the creditors as a whole, giving due regard to the property valuation information available,

- ▶ Facilitate the due diligence process with the Purchaser and their advisors,
- ▶ Prepare for a potential appointment as administrators, and
- ▶ Assist with the subsequent negotiation of the sale transaction documents

Valuation of the assets

Valuations of the property portfolio have been carried out by independent valuers, under the instruction of the directors of the Company and the Lenders, as noted below

Cushman and Wakefield ("C&W") – July 2013

We have reviewed and analysed the C&W valuation report addressed to the Company, dated July 2013, which values the portfolio at c. £156.5m. This is the aggregated figure of the individual values for each of the Properties, with no special valuation assumptions applied. C&W specifically note that if the portfolio was to be sold as a single lot or in groups of properties, the total value could be significantly lower.

The C&W report confirms that the valuation has been prepared in accordance with the RICS Valuation – Professional Standards (the "Red Book") by a valuer acting as an external valuer, as defined within the Red Book. The report was prepared by a RICS Registered Valuer.

DTZ Debenham Tie Leung ("DTZ") - October 2013

We have also reviewed a valuation report by DTZ, dated October 2013, which was commissioned by the Lenders. This valued the Properties at £171.3m, which is the aggregated figure of the individual values for each of the Properties. However, when DTZ have applied the assumptions that the Properties are sold as a portfolio and by an administrator, this value falls to c. £150m.

The DTZ report confirms that the valuations have been prepared in accordance with the appropriate sections of the Valuations Standards and UK Valuation Standards contained within the RICS Valuation – Professional Standards 2012 (the "Red Book"). The report was prepared by a RICS Registered Valuer.

We considered the valuation evidence which indicated the value of the portfolio was c. £150m - £156.5m, and discussed the valuation and assumptions with DTZ, having regard to the size, location and nature of the Properties. The proposed transaction, with consideration totalling £175m, represents a significantly higher value for the portfolio.

Given the special interest of the proposed purchaser and the valuation levels, the Joint Administrators do not consider that any higher value would be achieved by the Joint Administrators marketing the Properties, particularly when taking into consideration the likely costs associated with a marketing exercise.

Offers received from the Purchaser

Initial offer

During September 2013, the Lenders received a non-binding indication of intent from the Purchaser. The indicative terms outlined the Purchaser's intention to acquire 100% of the shares in the Company on a cash-free debt-free basis, for an indicative purchase price of £179,250,000, subject to the completion of satisfactory due diligence. This price compared favourably to the C&W portfolio valuation and the Purchaser's request for a six week exclusivity period was granted, commencing on 28 October 2013.

Subsequent offer

During the course of the due diligence process, the Purchaser was made aware of the low base cost of the Properties which created a latent capital gains tax ("CGT") liability of c. £17.2m, which would be inherited by the Purchaser on the acquisition of the shares in the Company. Because of this, the Purchaser advised that they were unable to proceed with a share sale and would only proceed with a transaction based on a purchase of the Properties.

On 25 November 2013, a confirmation of intent was received from the Purchaser which outlined the following key terms:

- ▶ Purchase of all 27 Properties (not the shares in the Company) for a total price of £175,000,000 (net of Stamp Duty Land Tax),
- ▶ £5,000,000 deposit, payable by the Purchaser at exchange,
- ▶ Target exchange date of 18 December 2013;
- ▶ Target completion date of 25 March 2014, and
- ▶ A standard rent apportionment mechanism from the date of exchange to completion.

Given the CGT liability which would arise on the sale of the assets, it was unlikely that the transaction could be effected solvently, as the directors could not execute a transaction which would create a CGT liability which the Company could not then meet.

As such, an administration was therefore required to sell the Properties and we were asked by the directors to act as administrators to effect the sale in order to secure the best result for the creditors of the Company.

Final transaction

The pre-pack sale took place on 18 December 2013. A deposit of £5,000,000 was received on 18 December 2013 and the remaining £170,000,000 will be paid on completion, which is scheduled to be 25 March 2013. The sale price was the best reasonably obtainable given the circumstances.

All sale proceeds will be allocated to fixed charge holders.

The completion of the sale of five of the long-leasehold properties in the portfolio is subject to the freeholders consenting to the assignment of the leases to the Purchaser. If consent is not granted, then these properties will not form part of the transaction and the purchase price will be subject to a reduction.



equivalent to the value attributed to the properties for which consent is not granted, as set out under the sale and purchase agreement.

We understand that Lord Kirkham will take a minority stake in the acquisition vehicle, however we have not been provided with specific details of his interest in the purchasing entity. The Right Honourable, The Lord Kirkham is a Director of Delphi Properties Limited and Delphi Properties Holdings Limited and is the ultimate shareholder of the Company.

Alternative courses of action

We have discussed the various options available to the Lenders with them, including a consensual sale of the shares in the Company. This option was originally pursued by the Lenders and the directors but was unsuccessful due to the low base cost of the Properties and the latent CGT liability which would be inherited by a purchaser of the shares and would therefore ultimately represent a reduction in the value achieved, which would reduce realisations for creditors as a whole. As such, an asset sale was deemed to be the best route to secure maximum value for the creditors of the Company.

Given the purchase price consideration is significantly in excess of both asset valuations, reflecting the special interest of the Purchaser in the assets, and the unlikely ability to secure the sale of the shares in the Company due to the latent CGT liability explained above, the Joint Administrators considered that completion of the sale of the Properties to the Purchaser would result in a better outcome for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

Consultation with creditors

Since our engagement in October 2013, the Joint Administrators have been in regular contact with the Lenders and have provided them with detailed information on the options available to them, given the circumstances. The Lenders are fully supportive of the transaction.

Asset realisations

Following the sale, it is expected that the Company will not own any assets. This will be confirmed by the Joint Administrators, by investigation of the Company's books and records and through discussion with the directors.

Statutory purpose of administration

The purpose of an administration is to achieve one of three objectives:

- a) To rescue the company as a going concern
- b) To achieve a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration)
- c) To realise property in order to make a distribution to one or more secured or preferential creditors

The objective being pursued is to achieve a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration). The Joint Administrators believe that the sale of the principal assets of the Company via an administration proceeding allowed for a better result for creditors as a whole than would be achieved through an



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immediate liquidation due to the preservation of the value of the assets that administration was expected to allow for

Other matters

In accordance with paragraph 49(5) of schedule B1 to the Insolvency Act 1986, we shall be preparing a report and proposals within eight weeks of our appointment. This report will be made available to all creditors and will give an indication of the likely dividend prospects. At this time, we will set out our proposals for remuneration and will seek approval for the basis. The statutory provisions relating to remuneration are set out in Rule 2.106 of the Insolvency Rules 1986. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Insolvency Practitioners Association at <http://www.insolvency-practitioners.org.uk> (follow 'Regulation and Guidance' then 'Creditors' Guides to Fees'), or is available in hard copy upon written request to the Joint Administrators.

At this point, we understand that there will be no floating charge realisations. The Lenders have therefore agreed to pay our fees from their fixed charge realisations.

Please note that debts incurred by the Company before our appointment will rank as unsecured claims against the Company. Any sums due to the Company arising after our appointment must be paid in full and without set-off against any debts incurred by the Company prior to our appointment.

The directors are required to submit a statement of affairs to us and you will appreciate that the full financial position is not yet known. Please send me a detailed statement of any sums due to you from the Company.

Certain debts due from the company may be preferential in accordance with section 386 of the Insolvency Act 1986. If you consider that you have a claim in this category, please advise me immediately. If you hold any security for your claim or you consider that you have title to any assets in the Company's possession, please forward details to me as soon as possible.

You may be entitled to VAT bad debt relief on debts arising from supplies more than six months old. This procedure does not involve the Administrators and claims should be made directly to HM Revenue and Customs.

If there are any matters concerning the Company's affairs which you consider may require investigation and consequently should be brought to our attention, please forward the details to me in writing as soon as possible.



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If you require any further information or explanation, please do not hesitate to contact Jo Hewitt on 0207 9511943

Yours faithfully
for the Company

A Swarbrick

Angela Swarbrick
Joint Administrator

Enc Copy of Form 2 12B Notice of Administrator's Appointment

For the Company, The Institute of Chartered Accountants in England and Wales in the UK authorises A Swarbrick and AR Bloom to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986

The affairs, business and property of the Company are being managed by the Joint Administrators, A Swarbrick and AR Bloom who act as agents of the Company only and without personal liability

We may collect, use, transfer store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data") We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998

The Insolvency Act 1986

Notice of administrator's appointment

Name of Company Delphi Properties Limited (In Administration)	Company number 05394074
In the High Court of Justice, Chancery Division Companies Court <small>[full name of court]</small>	Court case number 8994/2013

(a) Insert full name(s)
and address(es)I / We (a) Alan Robert Bloom and Angela SwarbrickErnst & Young LLP, 1 More London Place, London, SE1 2AFgive notice that ~~I was~~ we were appointed as administrator(s) of the above company on

(b) Insert date

(b) 18 December 2013

Signed



Signed

A Swarbrick

Dated

18/12/2013

Dated

18/12/2013Joint / Administrator(s) IP
No(s)64629431