

DELPHI PROPERTIES LIMITED

REPORT AND ACCOUNTS

31 JULY 2010

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 31 July 2010. Comparative figures relate to the 52 weeks ended 1 August 2009.

Principal activities

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

Business review and future developments

The Company leased all its freehold and long leasehold properties to DFS Trading Limited. Rents totalling £15.0m (2009 £14.0m) have been received in accordance with the lease arrangements and a loss, after financing charges, of £0.8m (2009 £3.8m) 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.

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 hedging strategy.

Results and dividends

The loss on ordinary activities before taxation was £0.8m (2009 £3.8m). After providing for taxation, an amount of £0.8m (2009 £3.8m) has been transferred from reserves.

The directors do not recommend a final dividend and no interim dividend was paid during the period (2009 £nil).

The net liabilities of the Company were £19.9m at 31 July 2010 (1 August 2009 £7.3m).

Donations

There were no political or charitable donations made by the Company in the period (2009 £nil).

Directors

The directors who held office during the period are shown below:

G Kirkham
J H Massey
W R Barnes

G Kirkham, is a director of the ultimate holding company, Full Circle Future Limited.

Directors' report (continued)

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, 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

13 December 2010

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 auditors' report to the shareholder of Delphi Properties Limited

We have audited the financial statements of Delphi Properties Limited for the 52 weeks ended 31 July 2010 set out on pages 6 to 16. 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 to them in an auditors' 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 auditors

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 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/UKNP.

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 31 July 2010 and of its loss 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

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.

**Independent auditors' report to the shareholder of Delphi Properties 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, 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

20 December 2010

Profit and loss account

52 weeks ended 31 July 2010 (52 weeks ended 1 August 2009)

	Notes	2010 £m	2009 £m
Turnover	1 2	15.0	14 0
Cost of sales		(2.6)	(3 0)
		<hr/>	<hr/>
Gross profit		12.4	11 0
Administrative expenses		(0.1)	(0 9)
		<hr/>	<hr/>
Operating profit		12.3	10 1
Interest payable and similar charges	5	(13.1)	(13 9)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(0.8)	(3 8)
Taxation on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss for the period	15	(0.8)	(3 8)
		<hr/>	<hr/>

All activities were continuing throughout the current period and prior period

There were no recognised gains or losses in the prior period other than those reported in the profit and loss account

The notes on pages 9 to 16 form part of these financial statements

Balance sheet

as at 31 July 2010 (1 August 2009)

	Notes	2010 £m	2009 £m
Fixed assets			
Investment properties	7	174.0	-
Tangible assets	8	-	188.3
		<u>174.0</u>	<u>188.3</u>
Current assets			
Debtors due within one year	9	-	5.4
Current asset investments	10	5.4	-
Cash at bank and in hand		4.7	3.5
		<u>10.1</u>	<u>8.9</u>
Creditors: amounts falling due within one year	11	(9.5)	(8.2)
Net current assets		<u>0.6</u>	<u>0.7</u>
Total assets less current liabilities		<u>174.6</u>	<u>189.0</u>
Creditors: amounts falling due after more than one year	12	(194.3)	(196.1)
Provisions for liabilities and charges	13	(0.2)	(0.2)
Net liabilities		<u>(19.9)</u>	<u>(7.3)</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	(8.1)	(7.3)
Investment revaluation reserve	15	(11.8)	-
Shareholder's deficit		<u>(19.9)</u>	<u>(7.3)</u>

The notes on pages 9 to 16 form part of these financial statements

The financial statements were approved by the Board on 13 December 2010 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 31 July 2010 (52 weeks ended 1 August 2009)

	2010 £m	2009 £m
Loss for the financial period	(0.8)	(3.8)
Revaluation of investment properties	(11.8)	-
Total recognised losses relating to the financial period	(12.6)	(3.8)

Reconciliation of movements in shareholder's funds

52 weeks ended 31 July 2010 (52 weeks ended 1 August 2009)

	2010 £m	2009 £m
Loss for the financial period	(0.8)	(3.8)
Revaluation of investment properties	(11.8)	-
Net reduction to shareholder's funds	(12.6)	(3.8)
Shareholder's deficit at the beginning of the period	(7.3)	(3.5)
Shareholder's deficit at the end of the period	(19.9)	(7.3)

The notes on pages 9 to 16 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 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.

1.3 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.

1.4 Tangible fixed assets

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

1.5 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

No depreciation is provided on freehold or long leasehold land, or 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".

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.

Notes *(continued)*

2 Loss on ordinary activities before taxation

	52 weeks ended 31 July 2010 £m	52 weeks ended 1 August 2009 £m
Loss on ordinary activities before taxation is stated after charging		
Depreciation	2.6	3.1
Professional fees on finance restructuring	-	0.9
	<u> </u>	<u> </u>

Auditors' remuneration in respect of these financial statements was £10,000 (2009 £10,000)

Fees paid to the auditors and their associates in respect of non-audit services amounted to £nil (2009 £nil)

3 Directors' emoluments

G Kirkham, JH Massey and WR Barnes received no remuneration for their services to the Company (2009 £nil)

4 Staff costs and numbers

The Company did not have any employees during the period (2009 nil) and therefore staff costs for the period were £nil (2009 £nil)

5 Interest payable and similar charges

	52 weeks ended 31 July 2010 £m	52 weeks ended 1 August 2009 £m
Bank	(12.9)	(12.6)
Other	(0.2)	(1.3)
	<u> </u>	<u> </u>
Interest payable	<u>(13.1)</u>	<u>(13.9)</u>

Notes *(continued)*

6 Taxation on loss on ordinary activities

	52 weeks ended 31 July 2010	52 weeks ended 1 August 2009
	£m	£m
6.1 Analysis of charge for the period		
UK corporation tax		
Adjustments in respect of prior periods	-	(0.1)
Total current tax (credit)/charge	-	(0.1)
Deferred tax		
Current period	-	0.1
Total deferred tax charge (note 11)	-	0.1
Total tax charge	-	-

6.2 Factors affecting the current tax credit for the period

The tax assessed for the period is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	52 weeks ended 31 July 2010	52 weeks ended 1 August 2009
	£m	£m
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	(0.2)	(1.0)
Depreciation for period in excess of capital allowances	0.7	0.8
Adjustments in respect of prior periods	-	(0.1)
Permanently disallowable items	0.1	0.1
Group relief	(0.6)	0.1
Total current tax (credit)/charge	-	(0.1)

Notes *(continued)*

7 Investment properties

	2010 £m	2009 £m
Investment properties	174.0	-

The investment properties have been revalued to open market value as at 31 July 2010, by an independent qualified chartered surveyor

Under historical cost accounting rules, the carrying value would be £185.3m (with a cost of £201.5m)

8 Tangible assets

	Land and Buildings		
	Freehold £m	Long leasehold £m	Total £m
Cost			
As at 2 August 2009	148.0	53.4	201.4
Additions	0.1	-	0.1
Transfer to investment properties	(148.1)	(53.4)	(201.5)
As at 31 July 2010	-	-	-
Depreciation			
As at 2 August 2009	9.0	4.1	13.1
Provided during the period	1.8	0.8	2.6
Transfer to investment properties	(10.8)	(4.9)	(15.7)
As at 31 July 2010	-	-	-
Net book value			
As at 31 July 2010	-	-	-
As at 1 August 2009	139.0	49.3	188.3

All of the assets that were within freehold and long leasehold buildings are assets on which operating lease income is received

On 9 June 2010 the properties were reclassified as investment properties as the leases were no longer with a group company

Notes *(continued)*

9 Debtors: due within one year

	2010	2009
	£m	£m
Amounts owed by group undertakings	-	5.4
	<u> </u>	<u> </u>

Amounts owed by group undertakings includes £1 unpaid share capital

10 Current asset investments

	2010	2009
	£m	£m
Short term deposits	5.4	-
	<u> </u>	<u> </u>
	5.4	-
	<u> </u>	<u> </u>

11 Creditors: amounts falling due within one year

	2010	2009
	£m	£m
Bank loan (see note 12)	1.8	1.4
Corporation tax	-	-
Accruals and deferred income	7.0	6.8
Social security and other taxes	0.7	-
	<u> </u>	<u> </u>
	9.5	8.2
	<u> </u>	<u> </u>

Bank loan includes £0.2 m (2009 £0.2m) of unamortised amounts relating to fees on the issue of the bank loan to the Company

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2010 £m	2009 £m
Bank loan	194.3	196.1

Bank loan includes £0.1m (2009 £0.3m) of unamortised amounts relating to fees on the issue of the bank loan to the Company

Amounts payable within one year	1.8	1.4
Between one and two years	194.3	1.8
Between two and five years	-	194.3
After more than five years	-	-
	<u>196.1</u>	<u>197.5</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 March 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.

Notes *(continued)*

13 Provisions for liabilities and charges

	Deferred taxation £m
As at 1 August 2009	0.2
Charged in the period to the profit and loss account	-
As at 31 July 2010	0.2

Deferred taxation

The amount recognised for deferred taxation, calculated at a corporation tax rate of 28% (2009 28%) is set out below

	2010 £m	2009 £m
Accelerated capital allowances	0.2	0.2

14 Called up share capital

	Number	2010 £	Number	2009 £
Ordinary shares of £1 each				
Allotted and called up	1	1	1	1

The share capital remains unpaid (see note 9)

15 Reserves

	Profit and loss account £m	Investment revaluation reserve £m
As at 1 August 2009	(7.3)	-
Retained loss for the period	(0.8)	-
Revaluation of investment properties	-	(11.8)
As at 31 July 2010	(8.1)	(11.8)

16 Contingent liabilities

At 31 July 2010, there were no contingent liabilities (2009 £nil)

17 Capital commitments

At 31 July 2010, the Company had no capital commitments (2009 £nil)

Notes *(continued)*

18 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 wholly owned Group companies. For part of the period the Company was part of the DFS Group of companies. There were no related party transactions following the change in ownership structure.

19 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.