

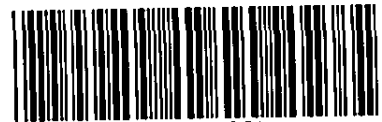
Dunelm Card Services Limited

**Directors' report and financial
statements.**

Registered number 5357374

28 June 2008

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Company information

Directors	WL Adderley DA Stead
Secretary	DA Stead
Company number	5357374
Registered office	Fosse Way Syston Leicestershire LE7 1NF
Auditors	KPMG Audit Plc 1 Waterloo Way Leicester LE1 6LP
Bankers	Barclays Bank Plc 15 Colmore Row Birmingham B3 2WN

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Directors' report

The Directors present their Directors' report and audited financial statements for the year ended 28 June 2008

Principal activities and business review

The Company was set up to provide card handling services to a group company. However, no such services were ever provided. The company carried on a business for the period from 1 March 2005 to 30 September 2005 when all activity ceased. The results for the period and the position at 28 June 2008 are shown in the income statement on page 5 and balance sheet on page 6 respectively.

Results and Dividends

The profit after tax for the year was £2,000 (2007: £7,000).

Dividends amounting to £96,000 (2007: Nil) have been declared, authorised and paid on the ordinary shares.

Directors

The Directors who held office during the year were as follows:

WL Adderley
DA Stead

Political and charitable contributions

The company made no political or charitable contributions during the financial period.

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 he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



D A Stead
Director

Fosse Way
Syston
Leicestershire
LE7 1NF
20 November 2008

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 year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the European Union (EU) and applicable law.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the report of the Directors includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent auditors' report to the members of Dunelm Card Services Limited

We have audited the financial statements of Dunelm Card Services Limited for the year ended 28 June 2008 which comprise an Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 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 auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' report *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 28 June 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit plc
Chartered Accountants
Registered Auditor
Leicester LE1 6LP
25 November 2008

Income Statement
for the 52 weeks ended 28 June 2008

	<i>Note</i>	2008 £000	2007 £000
Financial income	1	2	121
Financial expenses	1	-	(114)
Profit before tax		2	7
Taxation	2	-	-
Profit for the period attributable to equity shareholders		2	7
Dividend paid per ordinary share		£96,000	-

The income statement has been prepared on the basis that all operations are continuing.

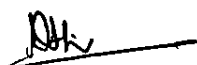
There are no recognised incomes or expenses other than those included above.

Balance Sheet

At 28 June 2008

	Note	2008 £000	2007 £000
Current assets			
Trade and other receivables	3	-	2,418
Total assets		<u>-</u>	<u>2,418</u>
Current liabilities			
Trade and other payables	4	-	(2,322)
Liability for current tax payable		-	(2)
Total liabilities		<u>-</u>	<u>(2,324)</u>
Net assets		<u>-</u>	<u>94</u>
Equity			
Share capital	5	-	-
Retained earnings		-	94
Total equity attributable to the equity shareholders		<u>-</u>	<u>94</u>

These financial statements were approved by the board of Directors on 20 November 2008 and were signed on its behalf by:



D A Stead
Director

Cash Flow Statement
 for 52 weeks ended 28 June 2008

	Note	2008 £000	2007 £000
Cash flows from operating activities			
Profit before tax		2	7
Adjustments for:			
Net financing costs	1	(2)	(7)
Operating profit		-	-
Decrease in trade and other receivables		2,418	646
(Decrease) in trade and other payables		(2,418)	(646)
Net movement in working capital		-	-
Cash flows from operating activities		-	-
Net cash and cash equivalents		-	-
Cash and cash equivalents at 1 July 2007		-	-
Cash and cash equivalents at 28 June 2008		-	-

Statement of changes in equity
for the 52 weeks ended 28 June 2008

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 2 July 2006	-	87	87
Profit for the period	-	7	7
Balance at 30 June 2007	-	94	94
Profit for the period	-	2	2
Dividends	-	(96)	(96)
Balance at 28 June 2008	-	-	-

Accounting policies

Dunelm Card Services Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company is preparing its financial statements in accordance with Adopted IFRS for the first time. The adoption of these standards and interpretations has not affected the accounting policies of the company relating to the income statements, balance sheets and opening balance sheets for the current or prior financial periods.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Use of estimates and judgements

The presentation of the annual financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no key estimates and judgements used in the financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and then carried at amortised cost net of impairment provisions.

Non-derivative financial instruments

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

Expenses

Financing income and expenses

Financing income and expenses comprise interest receivable and payable to Group undertakings.

Taxation

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Adopted IFRS not yet applied

The following adopted IFRSs and International Financial Reporting Interpretations Committee ('IFRIC') were available for early application but have not been applied by the Group in these financial statements:

IFRS 8 Operating Segments is effective for the Group's financial statements from the year ending June 2010 and requires a management approach to segmental information presentation. The adoption is not expected to have any impact on the Balance Sheet or Income Statement as the standard is concerned only with disclosures.

Notes

1 Financial income and expense

	2008 £000	2007 £000
<i>Finance income</i>		
Group undertakings	2	121
<i>Finance expense</i>		
Group undertakings	-	(114)
Net finance income	<u>2</u>	<u>7</u>

2 Taxation

	2008 £000	2007 £000
<i>Current taxation</i>		
UK corporation tax charge for the period	1	2
Adjustments in respect of prior periods	(1)	(2)
Total tax expense in the income statement	<u>-</u>	<u>-</u>

The tax charge is reconciled with the standard rate of UK corporation tax as follows:

	2008 £000	2007 £000
Profit before tax	<u>2</u>	<u>7</u>
Tax using the UK corporation tax rate of 29.5 % (2007: 30%)	1	2
Over provided in prior years	(1)	(2)
Total tax expense	<u>-</u>	<u>-</u>

3 Trade and other receivables

	2008 £000	2007 £000
Trade and other receivables due from Group companies	<u>-</u>	<u>2,418</u>

4 Trade and other payables

	2008 £000	2007 £000
Trade and other payables due to Group companies	<u>-</u>	<u>2,322</u>

Notes (continued)

5 Share capital

	2008 £000	2007 £000
<i>Authorised</i>		
1000 Ordinary shares of £1 each	1	1
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1	-	-

6 Financial instruments

Fair values

Assets and liabilities are included at their fair values, which are equivalent to their carrying values.

7 Financial risk management

The Board of Directors has overall responsibility for the oversight of the Company's risk management framework. The Board of Directors do not consider there to be any material risks associated with this company.

8 Related parties

The company has a related party relationship with its holding company and other Group companies, and also with its Directors.

Related parties with which the Company has transacted

Transactions between the company and its related parties were as follows:

	Parent company		Other group companies	
	2008 £000	2007 £000	2008 £000	2007 £000
Payable to group undertakings	-	-	(3)	(36)
Balance transferred to other group undertaking	(2,382)	-	-	-
Consideration received in respect of balance transferred	-	-	2,382	-
Net interest receivable / (payable)	60	121	(57)	(114)
Dividend paid	(96)	-	-	-
	(2,418)	121	2,322	(150)

	Parent company		Other group companies	
	2008 £000	2007 £000	2008 £000	2007 £000
Balances receivable from	-	2,418	-	-
Balances (payable) to	-	-	-	(2,322)
	-	2,418	-	(2,322)

Notes (continued)

9 Ultimate parent company

The Company is a subsidiary undertaking of Dunelm Group Plc which is the ultimate parent company incorporated in England and Wales. The ultimate controlling party is the Adderley family by virtue of their combined shareholding in Dunelm Group Plc.

10 Subsequent events

There are no material post balance sheet events.

11 Explanation of transition to Adopted IFRSs

As stated in the accounting policies on page 9, these are the Company's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies have been applied in preparing the financial statements for the year ended 28 June 2008, the comparative information presented in these financial statements for the year ended 30 June 2007 and in the preparation of an opening IFRS balance sheet at 2 July 2006 (the Company's date of transition).

The most significant change in the Company's accounting policies and presentation as a result in the adoption of IFRS is that under IAS7 the company is required to prepare a cash flow statement and comparatives. This contrasts to UK GAAP which provided an exemption from the requirement to provide a cash flow statement.

There are no differences between the financial statements previously presented under UK GAAP and those presented under Adopted IFRSs.