

Dunelm National Projects Limited

**Directors' report and financial
statements**

Registered number 07173866

31 December 2012



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

Principal activity

The principal activity of the company is property construction

Business review

The results for the year are presented on page 5

Directors

The directors who held office during the year were as follows

J Davies
B Manning
AE Radcliffe
S Francis (resigned 17 May 2012)

Political and charitable contributions

The company made no political or charitable donations nor incurred any political expenditure during the year

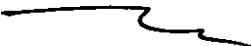
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



AE Radcliffe
Director

Esh House
Bowburn North Industrial Estate
Bowburn
Durham
DH6 5PF

31 May 2013

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 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 then 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Dunelm National Projects Limited

We have audited the financial statements of Dunelm National Projects Limited for the year ended 31 December 2012 set out on pages 5 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

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 December 2012 and of its loss for the year 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 auditor's report to the members of Dunelm National Projects 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



Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

31 May 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Turnover	2	9,044,499	13,014,044
Cost of sales		(9,923,496)	(14,228,578)
		<u>(878,997)</u>	<u>(1,214,534)</u>
Gross loss		(878,997)	(1,214,534)
Administrative expenses		(735,849)	(958,249)
		<u>(1,614,846)</u>	<u>(2,172,783)</u>
Operating loss		(1,614,846)	(2,172,783)
Interest payable and similar charges	6	(48,626)	(391)
Loss on sale of fixed assets		(4,135)	-
		<u>(1,667,607)</u>	<u>(2,173,174)</u>
Loss on ordinary activities before taxation	2-6	(1,667,607)	(2,173,174)
Tax on loss on ordinary activities	7	-	107,883
		<u>(1,667,607)</u>	<u>(2,065,291)</u>
Loss for the financial year	14	<u>(1,667,607)</u>	<u>(2,065,291)</u>

All results derive from continuing operations

The company had no recognised gains and losses during the current or preceding year other than those reflected in the profit and loss account

Balance sheet
at 31 December 2012

	<i>Note</i>	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	8		77,165		85,124
Current assets					
Debtors	9	2,391,910		2,922,142	
Creditors: amounts falling due within one year	10	(6,187,408)		(5,072,556)	
Net current liabilities			(3,795,498)		(2,150,414)
Total assets less current liabilities			(3,718,333)		(2,065,290)
Creditors: amounts falling due after more than one year	11		(14,564)		-
Net liabilities			(3,732,897)		(2,065,290)
Capital and reserves					
Called up share capital	13		1		1
Profit and loss account	14		(3,732,898)		(2,065,291)
Shareholders' deficit			(3,732,897)		(2,065,290)

These financial statements were approved by the board of directors on 31 May 2013 and were signed on its behalf by



B Manning
 Director

Company registered number 07173866

Reconciliation of movements in shareholders' deficit
for the year ended 31 December 2012

	2012 £	2011 £
Loss for the financial period	(1,667,607)	(2,065,291)
Opening shareholders' (deficit)/funds	(2,065,290)	1
	<u> </u>	<u> </u>
Closing shareholders' deficit	<u>(3,732,897)</u>	<u>(2,065,290)</u>

Notes

(forming part of 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 company's financial statements

Basis of preparation

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

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As 100% of the company's voting rights are controlled within the group headed by Esh Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Going concern

The company meets its financing requirements through balances with other companies in the group headed by Esh Holdings Limited

The company is subject to a cross guarantee banking arrangement with its parent undertaking, Esh Holdings Limited, and certain other group undertakings. Detailed information regarding the financial position of the group headed by Esh Holdings Limited, its cash flows, liquidity position and borrowing facilities are included in the financial statements of Esh Holdings Limited, which can be obtained from Companies House

The group headed by Esh Holdings Limited recorded an operating profit in 2012 and has substantial net assets

Excluding Dunelm Homes Limited, the group headed by Esh Holdings Limited had cash at bank of £24.3m and secured debt of £5.6m

The bank borrowings of Dunelm Homes Limited (a fellow subsidiary undertaking), which total £20.6m at the end of the year, are discrete to Dunelm Homes Limited and secured only on the assets of Dunelm Homes Limited and by means of a cross guarantee over the assets of Dunelm (Bowburn) Limited. These bank borrowings are not subject to any cross guarantees or security over the assets of any other Esh group companies. Esh Holdings has agreed to provide £0.75m financial support to Dunelm Homes Limited. No other Esh group companies have provided financial guarantees to either Dunelm Homes Limited or Dunelm (Bowburn) Limited

Including Dunelm Homes Limited, the group headed by Esh Holdings Limited had cash at bank of £27.0m, and secured debts of £26.2m

The group headed by Esh Holdings Limited (excluding Dunelm Homes Limited) trades with a large number of customers and suppliers across a number of sectors and expects to meet its day to day working capital requirements through its existing considerable cash reserves and ongoing trade which remains profitable

The directors have prepared detailed projected cash flow information for the group headed by Esh Holdings Limited, for the period through until 31 December 2014. These projections take into account such variations to an extent which they believe to be reasonable, based on information available at the time of approval of these financial statements. On the basis of this cash flow information the directors believe that the group headed by Esh Holdings Limited will be able to operate comfortably within available cash reserves and banking facilities

After making detailed enquiries and taking into account the factors discussed above, the Board is confident that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statements on a going concern basis

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by instalments over their estimated useful economic lives as follows

Fixtures, fittings tools and equipment	-	33% straight line
Motor vehicles	-	30% reducing balance

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Turnover includes the initial amount agreed in the contract plus any variations in contract work to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion of contracts is assessed by reference to completion of a physical proportion of the contract work. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax 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 as otherwise required by FRS 19.

Financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Turnover

Turnover is measured at the fair value of consideration received or receivable net of discounts and VAT provided that it can be measured reliably

Turnover on long term contracts is recorded at cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years, as set out in the accounting policy for long term contracts

Turnover on short term contracts is recognised when the contract is completed

Turnover is recorded net of discounts and VAT

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Turnover

All turnover is derived from the principal activity, wholly undertaken in the United Kingdom

3 Note to the profit and loss account

	2012 £	2011 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation and amounts written off tangible fixed assets		
Owned assets	23,874	33,599
Leased assets	2,850	-
	<hr/>	<hr/>
<i>Auditor's remuneration</i>	2012 £	2011 £
Audit of these financial statements	5,000	5,000
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

No remuneration was paid by the company to the directors during the current or preceding financial year

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2012	2011
Administration and management	11	13
Production	3	10
	<u>14</u>	<u>23</u>

The aggregate payroll costs of these persons were as follows

	2012	2011
	£	£
Wages and salaries	754,576	1,274,244
Social security costs	79,499	120,650
Other pension costs (note 15)	26,003	26,841
	<u>860,078</u>	<u>1,421,735</u>

6 Interest payable and similar charges

	2012	2011
	£	£
Finance charges payable in respect of finance leases and hire purchase contracts	272	-
Payable to group undertakings	48,354	391
	<u>48,626</u>	<u>391</u>

Notes (continued)

7 Taxation

Analysis of credit in period

	2012 £	2011 £
<i>Corporation tax</i>		
Current tax on income for the period	-	(107,883)
	<u> </u>	<u> </u>

Factors affecting the tax credit for the current period

The current tax credit for the period is lower than (2011 lower than) the standard rate of corporation tax in the UK (24.5%, 2011 26.5%) The differences are explained below

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,667,607)	(2,173,174)
	<u> </u>	<u> </u>
Current tax at 24.5% (2011 26.5%)	(408,564)	(575,891)
<i>Effects of</i>		
Expenses not deductible for tax purposes	522	1,226
Depreciation for period less than in excess of capital allowances	2,009	2,888
Group relief	406,033	463,894
	<u> </u>	<u> </u>
Total current tax charge (see above)	-	(107,883)
	<u> </u>	<u> </u>

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge accordingly

Notes (continued)

8 Tangible fixed assets

	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
Cost			
At beginning of year	1,130	117,593	118,723
Additions	-	28,500	28,500
Disposals	-	(16,209)	(16,209)
	<hr/>	<hr/>	<hr/>
At end of year	1,130	129,884	131,014
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	321	33,278	33,599
Charge for year	373	26,351	26,724
On disposals	-	(6,474)	(6,474)
	<hr/>	<hr/>	<hr/>
At end of year	694	53,155	53,849
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2012	436	76,729	77,165
	<hr/>	<hr/>	<hr/>
At 1 January 2012	809	84,315	85,124
	<hr/>	<hr/>	<hr/>

Included in the total net book value of fixed assets is £25 650 (2011 £nil) relating to assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £2,850 (2011 £nil)

9 Debtors

	2012 £	2011 £
Trade debtors	548,189	1,619,256
Amounts recoverable on contracts	1,533,029	844,954
Amounts owed by group undertakings	114,888	124,966
Other debtors	3,140	97,190
VAT recoverable	189,901	233,887
Prepayments	2,763	1,889
	<hr/>	<hr/>
	2,391,910	2,922,142
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2012 £	2011 £
Bank overdraft	4,306,124	406,892
Obligations under finance leases and hire purchase contracts (note 11)	8,363	-
Payments received on account	-	106,164
Trade creditors	53,522	126,766
Amounts owed to group undertakings	74,926	1,344,268
Amounts owed to participating interests (note 17)	-	8,487
Other taxation and social security	33,476	37,014
Other creditors	4,716	392
Accruals and deferred income	1,706,281	3,042,573
	<u>6,187,408</u>	<u>5,072,556</u>

The bank overdraft is secured by means of a group cross guarantee arrangement (note 16)

11 Creditors: amounts falling due after one year

	2012 £	2011 £
Obligations under finance leases and hire purchase contracts	14,564	-
	<u>14,564</u>	<u>-</u>

The maturity of obligations under finance leases and hire purchased contracts is as follows

	2012 £	2011 £
Within one year	8,985	-
In the second to fifth years	14,977	-
	<u>23,962</u>	<u>-</u>
Less future finance charges	(1,035)	-
	<u>22,927</u>	<u>-</u>

12 Deferred taxation

		Deferred taxation £
At beginning and end of year		-
The elements of deferred taxation are as follows		
	2012 £	2011 £
Difference between accumulated depreciation and capital allowances	6,898	5,629
Other timing differences	383	-
	<u>7,281</u>	<u>5,629</u>
Deferred tax asset – unrecognised		-

Notes *(continued)*

12 Deferred taxation *(continued)*

There is an unrecognised deferred tax asset of £7,281 (2011 £5,629) arising primarily from fixed asset timing differences. This has not been recognised due to uncertainty over the timing of its future recovery.

13 Called up share capital

	2012 £	2011 £
<i>Authorised, allotted, called up and fully paid</i>		
1 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

14 Reserves

	Profit and loss account £
At beginning of year	(2,065,291)
Loss for the year	(1,667,607)
At end of year	<u>(3,732,898)</u>

15 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £26,003 (2011 £26,841).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Contingent liabilities

The company is party to a group composite arrangement with certain of the companies in the Esh group under which overdrafts and cash balances can be offset. The total group liability and group overdraft at 31 December 2012 amounted to £7.3m (2011 £3.5m). The composite arrangement does not include Dunelm Homes Limited which has its own discrete banking arrangements.

17 Related party disclosures

J Tonks (Transport) Limited is a joint venture company between Esh Holdings Limited, the parent, and Aggregate Industries Holdings Limited. During the year the company made purchases of £26,256 (2011 £17,420) from J Tonks (Transport) Limited. Included in creditors is £nil (2011 £8,487) owed to J Tonks (Transport) Limited.

Notes *(continued)*

18 Ultimate parent company

The company is a subsidiary undertaking of Dunelm Property Services Limited, incorporated in England and Wales
The ultimate parent company is Esh Holdings Limited, incorporated in England and Wales

The results of the company are consolidated in the groups headed by Esh Holdings Limited and Esh Construction Limited. The consolidated accounts of these companies are available to the public and may be obtained from Esh House, Bowburn North Industrial Estate, Bowburn, Durham DH6 5PF

The directors do not consider there to be an individual ultimate controlling party