DUNELM (SOFT FURNISHINGS) LTD

Annual Report and Financial Statements

For the period ended 29 June 2024

Registered number 02129238

Company information

Directors	Sir Will Adderley Nicholas Wilkinson Karen Witts Steven Barton
Secretary	Luisa Wright
Company number	02129238
Registered office	Dunelm Store Support Centre Watermead Business Park Syston Leicestershire England LE7 1AD
Independent auditors	PricewaterhouseCoopers LLP Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Contents

Strategic report

The Directors present their strategic report together with the Directors' report and audited financial statements of the Company for the 52-week period ended 29 June 2024.

Principal activities

The principal activity of the Company continues to be that of a UK homewares retailer selling to customers through stores and online.

Introduction

I am pleased to report another strong performance, in what remained a tough consumer environment. The homewares and furniture market was still soft and during the year we faced both inflationary pressures and disruption to major shipping routes. Nevertheless, we have again demonstrated the resilience of our business model in achieving growth, stable operating margins and strong cash returns. At the same time, we continue to invest for the long-term as we identify growth and productivity opportunities for the future.

As we assess the changing consumer landscape, we are evolving our focus areas to frame our strategic priorities and investment choices. Entering this next phase of growth, we are committed to our vision to become the UK's most trusted and valuable homewares and furniture brand, and will achieve this by unlocking our full potential as The Home of Homes.

With a focus on further elevating our product offer, developing and expanding our stores and digital channels to connect with more customers and harnessing our operational capabilities, we are confident in continued market share gains. Indeed, our plans now give us a clear pathway to a double-digit market share in the medium term.

As ever, our strong performance and excitement for the future is due to the support, adaptability and skills of our committed colleagues and supplier partners. I would like to thank them all for everything they continue to do to grow, adapt and develop. It is due to them that we achieve these results, and are well-placed to unlock our full potential.

FY24 Review

A strong performance balancing growth and grip

In FY24 we successfully balanced delivering growth with maintaining our firm operational grip on the business amidst a challenging consumer environment. We made good progress against our objectives, expanding our store estate in different sizes and locations as planned, continuing to improve our digital proposition, and enhancing our multi-channel experience for customers who prefer to shop both online and in store, including through a better Click & Collect proposition.

We grew our sales by 4.1%, in a market which declined, reflecting our ongoing customer appeal and continuing our consistent track record of market share gains. We now have a 7.7% share of a total addressable market (combining homewares and furniture) valued at c.£24bn, up 60bps year-on-year, and significantly higher than the 5% we held in FY19, and see significant scope to increase this further.

We were particularly pleased with the quality of our sales growth, with volumes up 6.2%, a positive indicator of our overall appeal. With volume growth ahead of sales, we saw a small reduction in our average item value, reflecting a slightly different product mix to the prior year, with the impact of price changes relatively immaterial. The strong volume growth was supported by an increase in the number of active customers, up 5.1%. Pleasingly, this growth was seen across all age, income and geographical cohorts.

Gross margin was strong in FY24, expanding by 170bps to 51.8% (FY23: 50.1%), ahead of our expectations at the start of the year. There were various moving parts within our input costs, and we particularly benefited from a net tailwind from lower freight rates which has now largely annualised. We were also able to avoid any significant impact from the disruption in the Red Sea, working closely with our freight providers to manage the impact of surcharges, whilst using the capabilities within our commercial teams to minimise availability issues. Our strong margin was achieved without price increases, as we maintained our commitment to offering outstanding value to our customers. As expected, operating costs as a proportion of sales increased to 39.0%, driven by inflation and the investments we are making to drive future

Strategic report *(continued)*

growth. Cost increases were partly offset by productivity improvements across the Company. Overall, PBT grew ahead of sales, up 6.1% to £208.4m (FY23: 196.4m), representing a strong PBT margin of 12.2% (FY23: 12.0%).

Delivering for all our stakeholders

As well as a strong financial performance, we have delivered positive outcomes across our broad group of key stakeholders. We strive to make good decisions and ensure what we do is increasingly sustainable. During the year we reiterated our good and circular approach to sustainable growth and continue to ensure it is embedded into our strategy and ways of working so that we are delivering for all of our stakeholders and focussing on our Planet, Communities and People.

In FY24 we were proud to become the first homewares specialist to have validated SBTi targets across Scope 1,2 and 3 carbon emissions, which sees us align to the latest climate science from the Intergovernmental Panel on Climate Change (IPCC). We have also made further progress in extending our good and circular approach into our customer proposition, increasing the proportion of own-brand products which have our more sustainable 'Conscious Choice' label, and introducing the 'Too Good to Go' initiative to our Pausa cafes to help reduce food waste.

Our committed supplier partners are also helping us to limit our impact on the planet. Having grown together over several decades, we see these enduring relationships as a key strength of our unique operating model. On sustainability matters, we work together with our suppliers and continue to learn. Where necessary, we have been encouraging suppliers to adopt a data monitoring standard and action planning tool (the Higg Index) to underpin their improved manufacturing programmes

We continue to place importance on and build momentum in the work our stores and sites do in their local communities. Originating during the pandemic and expanding since, all our stores now support important local organisations including selected schools, care homes, women's refuges and more. Our annual Delivering Joy campaign is an example of this work in practice. This year, I am immensely proud to say that we delivered 125,000 gifts, to these local causes. Communities also form the backbone of some of our circularity initiatives, including our expanding takeback schemes and 'Home to Home', through which customers can donate pre-loved homewares items to those in need.

We place great importance on the development and engagement of our committed colleagues. Developing our talent improves retention, enables internal succession, and increases our productivity and business resilience. Encouragingly, we saw colleague retention increase to 89% during the year (FY23: 87%). We also see very strong response rates to our colleague engagement surveys, and our employee net promoter score remains high by industry standards.

As technology changes the nature of all roles across our business, we are as committed to lifetime learning as we are to early careers recruitment and development. Our data academy and apprenticeships are good examples of this. We are also excited about our 'Reach' development programme which launched during the year and is focused on increasing the number of Black and Minority Ethnic colleagues in senior positions. We have much more to do in this area but are encouraged that the proportion of our 'role model' leaders from ethnically diverse backgrounds increased to 5.8 % in FY24 (FY23: 3.8%).

Unlocking our full potential as The Home of Homes

Looking forward, we have three broad focus areas which frame our priorities and investments. These are an evolution of the strategy we have followed over many years, and in combination will allow us to achieve our full potential as the Home of Home, and to be the UK's most trusted and valuable brand for homewares and furniture.

Firstly, in the area of product: we see opportunity to re-double our focus on product development, through increasing our curated ranges, bolder design differentiation, enhancing cross-category coordination in our collections and innovation in sustainable materials. In recent times we have been acutely aware of the importance in having the right product offer, at the right time, to ensure we remain relevant and appealing to customers. In the year we saw this demonstrated with stronger upholstered furniture collections, combined with 5-day delivery lead-times.

Strategic report *(continued)*

Secondly, we are building further confidence in opening more stores and developing our digital channels to deliver an outstanding and connected multi-channel shopping experience for our customers. We know that multi-channel shopping is the preference for more than 90% of our customers when it comes to homewares and furniture, so joining up our channels as much as possible is a priority.

Thirdly, after building up our skills and operational capabilities in recent years, we see significant opportunity to harness them to achieve both productivity improvements and further strengthen our customer offer. In light of elevated wage inflation, and with growing technology and data capabilities, where foundational investment has been made over recent years, there are increasing opportunities to introduce more automation and productivity tools throughout the business. These are already driving efficiencies in parts of our operations (such as reducing volumes in the Customer Contact Centre) and our capacity to successfully implement more of these initiatives will increase going forward.

Our three focus areas are therefore as follows:

1. Elevate our product offer
2. Connect with more customers
3. Harness our operational capabilities

These focus areas are an evolution of the strategy that we have followed over many years and, in combination, will allow us to unlock our full potential as The Home of Homes. They support broad-based and long-term sustainable market share growth which can be delivered alongside stable operating margins and strong cash generation. In the medium term they shape our clear pathway to reaching our next milestone of double-digit market share.

Summary and outlook

We delivered another strong performance in FY24, successfully balancing growth and operational grip in a soft market. We achieved high-quality sales and volume growth, and increased our PBT ahead of sales, whilst continuing to make progress against our strategic objectives.

We are gradually seeing improvements to economic indicators, however we are yet to see a meaningful change in consumer spending habits in our markets. In this context, we have made a satisfactory start to the new financial year, against a strong prior year comparator.

We have refined our thinking on the key opportunities ahead of us, with three clear focus areas framing our investments and strategic priorities for the coming years, and we are confident we can accelerate into a consumer environment which presents a significant opportunity for market share growth.

We now have good line of sight to continued market share gains, and expect to reach double-digit total share in the medium term. We are very confident in our business model and roadmap to achieving profitable, sustainable growth and unlocking our full potential as The Home of Homes.

Strategic report *(continued)*

Key performance indicators

In addition to the traditional financial measures of sales and profits, the Directors review business performance each month using a range of other KPIs.

Active customers growth %	
2024	**5.1%**
2023	2.8%
2022	8.5%

Total revenue growth %	
2024	**4.1%**
2023	3.6%
2022	18.4%

Net promoter score (NPS) improvement %	
2024	**1.9%pts**
2023	-0.9%pts
2022	-4.2%pts

Employee net promoter score (eNPS) improvement %	
2024	**-10.0%pts**
2023	-5.0%pts
2022	1.0%pts

Profit before tax £'m	
2024	**208.4**
2023	196.4
2022	214.0

The Group KPI metrics can be found in the Annual Report and Financial Statements for Dunelm Group plc on page 26.

Strategic report *(continued)*

Financial Review

Revenue

	FY24	YoY
Total sales	£1,706.5m	+4.1%
Digital % total sales	37.0%	+1ppt
Market share[FN]	7.7%	+60bps
Active customer growth[FN]	N/A	+5.1%

Total sales for the period to 29 June 2024 grew by 4.1% to £1,706.5m (FY23: £1,638.9m), with growth in all quarters of the year, despite ongoing uncertainty in our market. We are pleased that our sales progression was again driven by volume, which was up 6.2% supported by the strength and relevance of our proposition. Whilst we reduced prices across c.2% of our products in the early part of the year, the impact of this was relatively immaterial and the main driver of the reduction in average item value was the product mix of sales. Both store and digital channels grew year-on-year, and digital participation increased again, up 1ppt to 37.0%.

Customers continue to respond well to the breadth of our ranges, which we expanded throughout the year, ensuring that it remained curated and relevant. Overall growth was broad-based across categories, demonstrating our customer appeal and the resilience of our proposition. We continue to benefit from elevating our product offer, with our 'Cook & Dine' and upholstered furniture categories maintaining their strong performance from the first half of the year. We also saw significant growth in our made-to-measure window treatments, where we have continued to expand our capability, bringing more of the manufacturing in-house and introducing new ranges such as Venetian blinds. Towards the end of the year, whilst seasonal ranges saw softer sales during a cooler spring and summer period, the Summer Sale performed particularly well, with customers taking advantage of both the discounted offers available, and shopping for full-priced products and new ranges.

In a challenging market which declined year-on-year, our combined homewares and furniture market share increased by 60bps to 7.7%. This continues our strong track record of share gains, and we remain confident in our ability to keep growing our share of this large and fragmented market.

Total active customers increased by 5.1%, an acceleration on the previous year (FY23: +2.8%), with growth across all customer age, income and geographical cohorts. In a year where we invested in brand awareness, growth was again most significant in younger (16-24 years) demographics, and we saw particularly strong increases in London. We were also pleased to see expansion in both multi-channel shoppers and those who shop only in-store or online, demonstrating the strength of our total retail system.

Gross margin

Gross margin was strong at 51.8%, 170bps ahead of FY23 (FY23: 50.1%). Throughout the year we benefitted from a freight tailwind (partly offset by a foreign exchange headwind), despite Red Sea volatility and resulting surcharges. We are pleased that sales volumes grew alongside this strengthened margin, as we worked with our suppliers and applied operational grip to maintain our outstanding value proposition for customers.

In FY25 we will continue to tightly manage our input costs to deliver a continued strong gross margin, alongside outstanding value to customers. With year-on-year freight benefits now largely annualised and Red Sea disruption still ongoing, we currently expect FY25 gross margins to be within a range of 51% - 52%.

Strategic report *(continued)*

Operating costs

Total operating costs were £665.4m (FY23: £617.6m) representing an operating cost: sales ratio of 39.0% (FY23: 37.7%). The year-on-year increase in the costs: sales ratio reflects ongoing inflationary pressures, and although we have partially offset these with productivity gains across our operations, our commitment to long-term investment in the business and the volume-driven nature of our sales growth means that as expected, there has been an increase in operating costs relative to sales. We focus on managing operating costs whilst optimising our overall operating margin to deliver long-term profitable growth.

The volume-driven nature of our sales growth resulted in an incremental £14m of variable costs, primarily across performance marketing and in our supply chain. Looking ahead, we expect our sales growth to continue to be volume driven.

We have seen another year of inflationary headwinds, which increased costs by £20m for the year, consistent with the impact we saw in FY23. The main driver of this was wages, with the largest element of our cost base being the cost of hourly-paid colleagues. This cost has been impacted by the National Living Wage increasing by close to 10% in each of the last two years. Whilst we do not have visibility of the National Living Wage increases going forward, we expect this inflationary headwind to persist for some time. Overall, we expect inflation to grow the overall operating cost base by c.3-4% in FY25.

Despite the ongoing challenging consumer environment, we have continued to invest in the business for the long-term, investing £25m in the year on new store openings, continuing to improve our digital proposition, and strengthening brand awareness and customer reach with our ‘Home of Homes’ campaigns. Our new store opening programme accelerated to six new store openings (including one relocation) in the year, and we now plan for 5 – 10 new stores per year over the medium term.

We continue to apply tight operational grip to cost management, and in the year we generated productivities and efficiencies of £11m, including savings from the optimisation of performance marketing costs, distribution cost savings from exiting external storage facilities, and continued process improvements in stores. As we move forward, as well as focussing on further continuous improvement initiatives, we will be investing in programmatic activities to help mitigate the impact of a wage inflationary environment. Alongside this, we remain committed to investment for long-term profitable growth from our strategic priorities.

Profit

Operating profit of £217.9m was £14.6m higher than the prior year (FY23: £203.3m), reflecting sales growth and gross margin expansion coupled with tight operational cost control in an environment where wage inflation continues to be a headwind.

In a year of higher base rates, net finance costs of £9.5m (FY23: £6.9m) included interest on IFRS 16 lease liabilities of £6.1m (FY23: £5.3m). Our strong cash flows and low levels of debt meant other financing costs did not put pressure on the business.

Profit before tax in the period was £208.4m (FY23: £196.4m) with PBT margin of 12.2% (FY23: 12.0%). In FY25, we expect PBT margin to remain broadly stable, reflecting the balance of volume-driven sales growth, strong gross margin and grip on operating costs in an inflationary environment, alongside a commitment to continued investment.

Profit after tax of £154.3m (FY23: £155.8m) reflected an effective tax rate of 26.0% (FY23: 20.7%), the 5.3ppt increase largely due to the annualisation of the higher UK headline rate of corporation tax introduced in April 2023. The effective tax rate was 140bps higher than the 25% headline rate, as we had slightly more disallowable expenditures in FY24 due to higher new store spend, and also included the impact of a non-recurring deferred tax adjustment, as previously reported. Going forward, we expect the effective tax rate to trend between 50bps and 100bps above the headline tax rate of 25%.

Strategic report *(continued)*

Cash generation and net cash

In the period, the Company generated £124.4m of free cash flow (2023: £155.8m), with conversion of operating profit to free cash flow of 57.1% (2023: 76.6%).

	FY24 52 weeks £m	FY23 52 weeks £m
Operating profit	217.9	203.3
Depreciation, impairment and amortisation	81.8	79.4
Working capital inflow/ (outflow)	(28.5)	(12.5)
Share-based payments	3.8	4.0
Tax paid	(49.6)	(38.2)
Net cash generated from operating activities	**225.4**	**236.0**
Capex	(39.9)	(21.8)
Net interest[1]	(4.2)	(1.1)
Interest on lease liabilities	(6.1)	(5.3)
Repayment of principle element of lease liabilities	(50.8)	(52.0)
Free cash flow	**124.4**	**155.8**

The working capital inflow in the period was £28.5m outflow (FY23: £12.5m outflow), largely due to higher stock which grew broadly in line with sales as well as a one-off impact of higher goods-in-transit due to longer shipments, which we have been managing to avoid disruption to the business. The remaining outflow was driven by a small reduction in payables, due to the timing of a regular tax payment. We expect working capital to be broadly neutral for FY25.

Total capital investment was £39.9m (FY23: £21.8m), in line with our guidance. Capex of c.£25m related to stores, including the six new superstores opened in the year, 13 refits of existing stores and our ongoing decarbonisation programme. In June 2024 we purchased a tenanted non-retail freehold property for £7.5m, providing current rental income and future capacity for our support centre.

In FY25 we expect our capital expenditure to increase to £50m - £60m. In line with previous guidance, we expect to open 5 – 10 new superstores (as in FY24, broadly evenly split between larger and smaller sites), and we now expect new openings to continue at this rate for the medium term. In the early part of the new financial year, we secured a freehold tenanted retail property in an attractive location for £22m which we plan to convert to a Dunelm format in the future. Whilst we expect the majority of our new openings to be leasehold, we have the capacity to purchase freeholds where there are sufficiently attractive returns.

Cash tax paid was £49.6m (FY23: £38.2m), reflecting the higher effective tax rate.

Banking agreements

At the year end, the Company had in place a £250m unsecured revolving credit facility (“RCF”). The terms of the RCF included covenants in respect of leverage (net debt to be no greater than 2.5× adjusted EBITDA) and fixed charge cover (EBITDAR to be no less than 1.75× fixed charges), both of which were met comfortably as at 29 June 2024. A one-year extension to the facility was agreed in August 2024, with a maturity date of September 2028. The terms are consistent with normal business practice and the covenants are unchanged. There is an option to extend by another year at Dunelm’s request, subject to lender consent. The Company also maintains £10m of uncommitted overdraft facilities.

Dividends

Total dividends of £100.0m (2023: £163.3m) were declared, authorised and paid on the ordinary shares during the period. A further dividend of £60.0m (2023: £70.0m) was declared but remained unpaid as at 29 June 2024.

[1] Excluding interest on lease liabilities

Strategic report *(continued)*

The Company's Board regularly reviews and monitors the risks and uncertainties which could have a material effect on the Group and Company's results. The principal risks and uncertainties that could lead to a material impact have not significantly changed from those listed in the Strategic report of the Parent Company, Dunelm Group plc in the FY23 Annual Report. No new principal risks were identified in the period, however there were four risks where the potential impact had increased over the period, with the remaining risks having no change in their overall impact. We have also renamed one of our principal risks. A summary of the principal risks has been provided below:

Risk	Impact
Customer offer	Ongoing external uncertainty and inflationary pressure on consumers has led to significant change in consumer behaviour. Failure to respond to changing consumer needs and to maintain a competitive offer (value & choice, friendly & expert, fast & convenient and good & circular) will undermine our ambition to increase market share and drive profitable and sustainable growth.
Product reputation and trust	Our stakeholders expect us to deliver products that are safe, compliant with legal and regulatory requirements, and fit for purpose. Our customers are increasingly aware of the environmental and social impact of their purchases and want to know that our products have been responsibly sourced and that their environmental impact is minimised. Nonconformance by our suppliers to uphold our approach to business ethics, human rights (including safety and modern slavery) and the environment may undermine our reputation as a responsible retailer. Failure to meet these expectations could result in reputational damage and loss of confidence in Dunelm.
People and culture	Our business could be adversely impacted if we fail to attract, retain, and develop colleagues with the appropriate skills, capabilities and diverse background. Failing to embed and live our values could impact business performance, the delivery of our purpose and the long-term sustainability of our business.
IT systems, data and cyber security	Our IT systems and infrastructure are critical to managing our operations, interacting with customers, and trading successfully. A key system being unavailable or suffering a security breach could lead to operational difficulties, loss of sales and productivity, legal and regulatory penalties due to loss of personal data, reputational damage, and loss of stakeholder trust.
Business change	Dunelm recognises that there is a huge opportunity in digitalising the business and has invested and will continue to invest in system improvements to drive growth and efficiency. Failing to successfully introduce and deliver wider technology and new systems across the business and leverage the data generated to further improve our proposition and operations could result in reduced operational efficiency, competitiveness, relevance and growth. Furthermore, failure to deliver the expected objectives on time and on budget, could impact the delivery of the planned business benefits.
Regulatory and compliance	We operate in an increasingly regulated environment and must comply with a wide range of laws, regulations, and standards.

	Failure to comply with or to take appropriate steps to prevent a breach of these requirements could result in formal investigations, legal and financial penalties, reputational damage and loss of business.
Supply chain resilience	We are dependent on complex global supply chains and fulfilment solutions to deliver products to our customers. Instability in the global supply chain or failure of a key supplier may impact our ability to effectively manage stock and satisfy customer demand.
Finance and treasury	Progress against business objectives may be constrained by a lack of short-term funding or access to long-term capital.
Climate change and environment	Failure to positively change our impact on the environment would fall short of the expectations of our customers, colleagues, shareholders, and other stakeholders which could lead to reputational damage and financial loss. In addition, an inability to anticipate and mitigate against climate change and other environmental risks could cause disruption in the availability and quality of raw materials such as cotton and timber, affecting production capacity, product quality, and overall supply chain resilience. This, and potential transition risks related to environmental taxation, could result in higher costs, delays, and potential loss of customers.

Strategic report *(continued)*

Alternative performance measures (APMs)

APM	Definition, purpose and reconciliation to statutory measure
Unique active customers growth	12-month rolling growth in unique active customers who have shopped in the 12 months, based on Barclays transactional data. Note that Barclays data represents approximately 10% of total Dunelm transactions. To measure whether we are continuing to grow our active customer base – from both new customers and retention of existing customers.
Total sales	Equivalent to revenue (from all channels). This is net of customer returns.
Digital sales	Digital sales include home delivery, Click & Collect (or Reserve & Collect before October 2019) and tablet-based sales in store.
Digital % total sales	Digital sales (as defined above) expressed as a percentage of revenue. This is not a measure that we seek to maximise in itself, but we measure it to track our adaptability to changing customer behaviours.
Gross margin %	Gross profit expressed as a percentage of revenue. Measures the profitability made of product sales prior to operating costs.
Operating costs to sales ratio	Operating costs expressed as a percentage of revenue. To measure the growth of costs relative to sales growth.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment. Operating profit plus depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets. Used in our capital and dividend policy.
Adjusted EBITDA	EBITDA less depreciation on right-of-use assets. To measure compliance with bank covenants.
EBITDAR	EBITDAR is calculated as EBITDA plus rent. To measure compliance with bank covenants.
Effective tax rate	Taxation expressed as a percentage of profit before taxation. To measure how close we are to the UK corporation tax rate and understand the reasons for any differences.
Capex (net of disposals)	Acquisition of intangible assets, property, plant and equipment and investment properties less proceeds on disposal of intangible assets, property, plant and equipment and investment properties.
Free cash flow	Free cash flow is defined as net cash generated from operating activities less capex (net of disposals) and business combinations, net interest paid (including leases) and loan transaction costs and repayment of principal element of lease liabilities. Measures the cash generated that is available for disbursement to shareholders.
Net cash/(debt)	Cash and cash equivalents less total borrowing (as shown in note 17). Excludes IFRS 16 lease liabilities.
Cash conversion	Free cash flow expressed as a percentage of operating profit.

Strategic report *(continued)*

Sustainability

Climate related financial disclosures on behalf of the Company are included in the Annual Report and Accounts of the ultimate parent undertaking Dunelm Group plc.

S172 (1) Companies Act 2006

Dunelm Group plc is the ultimate parent company of Dunelm (Soft Furnishings) Ltd. From the perspective of the Board, as a result of the Group governance structure, the matters that it is responsible for considering under Section 172(1) of the Companies Act 2006 ("s172") have been considered to an appropriate extent by the Group Board in relation to both the Group and this entity. The Board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the Group Board has considered the matters set out in s172 (for the Group) is set in the Corporate Governance report of the Parent Company, Dunelm Group plc, which does not form part of this report.

On behalf of the Board

Karen Witts

Director

13 September 2024

Dunelm Store Support Centre
Watermead Business Park
Syston
Leicestershire
LE7 1AD

Directors' report

The Directors present their report together with the strategic report and audited financial statements for the period ended 29 June 2024. This report satisfies the requirements of the Companies Act 2006 to produce a business review.

General information

The Company is a subsidiary undertaking of Dunelm Limited, which in turn, is a subsidiary of Dunelm Group plc, the ultimate parent company incorporated in England and Wales.

Going concern

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operational existence and as such can continue to adopt the 'going concern' basis of accounting. To support this assessment, the Board is required to consider the Company's current financial position, its strategy, the market outlook, and its principal risks.

The key judgement that the Directors have considered in forming their conclusion is the potential impact on future revenue, profits and cashflows of a downturn in consumer spending away from homewares due to the ongoing impact of sustained inflation, as well as the impact of broader economic uncertainty across a three-year review period. This scenario could result in no year growth in Year 1 and lower sales and higher costs across all channels throughout the review period. The Directors' have also considered a deeper downturn in consumer spending away from homewares, resulting in negative growth in Year 1 and lower sales and higher costs across all channels throughout the review period.

In both downside scenarios Dunelm Soft Furnishings Ltd has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with its dividend policy, and to comfortably meet its financial covenants. The Directors continue to assess the risks that climate change poses to the business and based on current legislation, climate change is not expected to have a significant impact on the Company's going concern assessment or on the viability of the Company over the next three years. Therefore, no incremental impact has been modelled in either of the downturn scenarios.

Reverse stress modelling has demonstrated that a prolonged sales reduction of 26% in each year is required to breach covenants by the end of FY26 and a reduction of 42% in both FY25 and FY26 is required to breach the RCF (maturing in September 2028) limit by the end of FY26, assuming reasonable mitigating actions have been implemented.

Even in such an event, management would follow a similar course of action to that initially undertaken during the recent COVID-19 pandemic. Such actions could include further reductions in discretionary spend (e.g. marketing and travel), headcount, and capital investment in new stores and refits.

The Company's banking agreements and associated covenants are set out in the Strategic Report and include a £250m RCF (maturing in September 2028, having exercised a one-year extension, with a further one-year extension option available subject to lender consent), an accordion option with a maximum facility of £100m and a £10m uncommitted overdraft.

As a result, the Board believes that the Company is well placed to manage its financing and other significant risks satisfactorily and that the Company will be able to operate within the level of its facilities and meet its liabilities as they fall due, for at least the next three years. For this reason, the Board considers it appropriate for the Company to adopt the going concern basis in preparing its financial statements.

Directors' report *(continued)*

Directors

The Directors of the Company who were in office during the period and up to the date of signing the financial statements, unless otherwise stated, were:

Sir Will Adderley

Nicholas Wilkinson

Karen Witts

Steven Barton

Qualifying third-party indemnity provisions

During the year and at the time this report is approved, a qualifying third-party indemnity provision was in place for the benefit of one or more of the Directors.

Employees

The Company recognises its obligations towards disabled people and endeavours to provide employment where possible having regard to the physical demands of the Company's operations and the abilities of the disabled persons. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue. It is the policy of the Company that training, career development and promotion opportunities should be available to all employees and this is reflected in its Equal Opportunities Policy.

The Company places considerable value on the involvement of its employees and continues its practice of consulting with employees on matters likely to affect their interests, through its National Colleague Voice.

Information on matters of concern to employees is given through bulletins, reports and an in-house newsletter.

Corporate Governance Code 2018 (the "Code")

The Company is the single trading subsidiary of Dunelm Group plc, which is the parent company of the Group. Dunelm Group plc is required to comply with the code, and an explanation of how the Principles set out in the code are applied is set out in the Corporate Governance report of the ultimate Parent Company, Dunelm Group plc, which does not form part of this report. These principles are applied to the Company through the Group's governance, risk management and internal control structure.

Stakeholder statements

Employees

From the perspective of the Board, as a result of the Group governance structure, the Group Board has taken the lead in carrying out the duties of a board in respect of the Company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the Company during the financial period). The Board of the Company has also considered relevant matters where appropriate. An explanation of how the Group Board has considered the matters set out in s172 (for the Group) is set out in the Directors' report of the ultimate Parent Company, Dunelm Group plc, which does not form part of this report.

Directors' report *(continued)*

Other stakeholders

Similarly, from the perspective of the Group Board, as a result of the Group governance structure, the Group Board has taken the lead in carrying out the duties of a board in respect of the Company's other stakeholders. The Board of the Company has also considered relevant matters where appropriate. An explanation of how the directors on the Group Board have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard (including on the principal decisions taken by the Company during the financial period), is set out (for the Group) in the Directors' report of the ultimate Parent Company, Dunelm Group plc, which does not form part of this report.

Greenhouse gas emissions

The greenhouse gas emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are set out in the Sustainability section and the directors report of the ultimate Parent Company, Dunelm Group plc as the disclosures relate solely to the Company being the Group's trading entity.

Political and charitable contributions

During the period, the Company made £nil political contributions and charitable contributions of £466,625 (2023: £432,911). In addition, funds raised for charity by the Company and colleagues were £442,778 (2023: £388,670).

Results and dividends

The profit after tax for the period was £154.3m (2023: £155.8m).

Total dividends of £100.0m (2023: £163.3m) were declared, authorised and paid on the ordinary shares during the period. A further dividend of £60.0m (2023: £70.0m) was declared but remained unpaid as at 29 June 2024, which was paid during FY24.

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign currency risk. The Company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. This is explained in further detail within note 19.

Future developments

These have been discussed in the Strategic Report.

Independent Auditors

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

Karen Witts

Director

13 September 2024

Dunelm Store Support Centre
Watermead Business Park
Syston
Leicestershire
LE7 1AD

Independent auditors' report to the members of Dunelm (Soft Furnishings) Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Dunelm (Soft Furnishings) Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 June 2024 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 29 June 2024; the Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment and ensured that this was consistent with board approved budgets;
- We have evaluated management's forecasting accuracy based on historical budgets versus actual performance;
- We obtained confirmation from lenders of the level of drawn and undrawn revolving credit facilities and tested the actual and forecast covenant compliance associated with these facilities;
- We considered the mitigating actions available to Dunelm to increase liquidity, if required, with the key actions being reductions in stock purchases and capex, as well as cessation of dividends; and
- We assessed the adequacy of the going concern disclosures in the accounting policies.

Independent auditors' report to the members of Dunelm (Soft Furnishings) Ltd
(continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 29 June 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Independent auditors’ report to the members of Dunelm (Soft Furnishings) Ltd
(continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors’ responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of journals with unexpected account combinations, which manipulate revenue or profits, and management bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the Company Secretary, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on Dunelm Group plc’s whistleblowing log;
- Searches for news articles which would highlight potential non-compliance with laws and regulations;
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations which manipulate revenue or profits; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to inventory provisions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Independent auditors' report to the members of Dunelm (Soft Furnishings) Ltd
(continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
13 September 2024

Income Statement

For the 52 weeks ended 29 June 2024

	Note	**2024 52 weeks £'m**	2023 52 weeks £'m
Revenue	2	**1,706.5**	1,638.8
Cost of sales		**(823.2)**	(817.9)
Gross profit		**883.3**	820.9
Operating costs	3	**(665.4)**	(617.6)
Operating profit	4	**217.9**	203.3
Financial income	6	**2.0**	3.2
Financial expenses	6	**(11.5)**	(10.1)
Profit before taxation		**208.4**	196.4
Taxation	7	**(54.1)**	(40.6)
Profit for the period		**154.3**	155.8

The notes on pages 24 to 59 form part of these financial statements

Statement of Comprehensive Income

For the 52 weeks ended 29 June 2024

	Note	**2024 52 weeks £'m**	2023 52 weeks £'m
Profit for the period		**154.3**	155.8
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Movement in fair value of cash flow hedges	19	**0.2**	(14.0)
Deferred tax on hedging movements	14	**(1.0)**	6.6
Other comprehensive income/(expense) for the period, net of tax		**(0.8)**	(7.4)
Total comprehensive income for the period		**153.5**	148.4

Statement of Financial Position

As at 29 June 2024

	Note	**29 June 2024 £'m**	1 July 2023 £'m
Non-current assets			
Intangible assets	9	**3.8**	5.3
Property, plant and equipment	10	**173.0**	169.9
Right-of-use assets	11	**222.9**	231.3
Investment property	12	**7.5**	-
Investment in subsidiary undertakings	13	**0.3**	0.3
Deferred tax assets	14	**1.4**	6.3
Derivative financial instruments	19	**0.1**	-
Total Non-current assets		**409.0**	413.1
Current assets			
Inventories	15	**223.0**	211.0
Trade and other receivables	16	**26.2**	24.3
Derivative financial instruments	19	**0.3**	1.8
Cash and cash equivalents	17	**23.4**	46.3
Total current assets		**272.9**	283.4
Total assets		**681.9**	696.5
Current liabilities			
Trade and other payables	18	**(289.9)**	(292.9)
Lease liabilities	11	**(52.1)**	(53.4)
Liability for current tax		**(1.5)**	(0.2)
Derivative financial instruments	19	**(4.9)**	(7.9)
Total current liabilities		**(348.4)**	(354.4)
Non-current liabilities			
Bank loans	20	**(77.0)**	(75.9)
Lease liabilities	11	**(197.5)**	(204.8)
Provisions	21	**(5.5)**	(5.9)
Derivative financial instruments	19	**(0.6)**	(3.1)
Total non-current liabilities		**(280.6)**	(289.7)
Total liabilities		**(629.0)**	(644.1)
Net assets		**52.9**	52.4
Equity			
Issued share capital	22	**2.0**	2.0
Retained earnings		**54.7**	57.3
Hedging reserve		**(3.8)**	(6.9)
Total equity		**52.9**	52.4

The financial statements on pages 20 to 59 were approved by the Board of Directors on 13 September 2024 and were signed on its behalf by:

Karen Witts
Director
Company number 02129238

Statement of Changes in Equity

For the 52 weeks ended 29 June 2024

	Note	Issued share capital £'m	Retained earnings £'m	Hedging reserve £'m	Total equity £'m
As at 2 July 2022		**2.0**	**133.0**	**20.2**	**155.2**
Comprehensive income for the period					
Profit for the period		-	155.8	-	155.8
Other comprehensive expense	14	-	-	(7.4)	(7.4)
Total comprehensive income for the period		-	155.8	(7.4)	148.4
Share-based payments		-	4.0	-	4.0
Deferred tax on share-based payments	14	-	(2.7)	-	(2.7)
Current tax on share options exercised		-	0.5	-	0.5
Movement on cash flow hedges transferred to inventory	19	-	-	(19.7)	(19.7)
Ordinary dividends paid	8	-	(233.3)	-	(233.3)
Total transactions with owners, recorded directly in equity		-	(231.5)	(19.7)	(251.2)
As at 1 July 2023		**2.0**	**57.3**	**(6.9)**	**52.4**
Comprehensive income for the period					
Profit for the period		-	154.3	-	154.3
Movement in fair value of cash flow hedges	19	-	-	0.2	0.2
Deferred tax on hedging movements	14	-	-	(1.0)	(1.0)
Total comprehensive income for the period		-	154.3	(0.8)	153.5
Share-based payments		-	3.8	-	3.8
Deferred tax on share-based payments	14	-	(1.2)	-	(1.2)
Current tax on share options exercised		-	0.5	-	0.5
Movement on cash flow hedges transferred to inventory	19	-	-	3.9	3.9
Ordinary dividends paid	8	-	(160.0)	-	(160.0)
Total transactions with owners, recorded directly in equity		-	(156.9)	3.9	(153.0)
As at 29 June 2024		**2.0**	**54.7**	**(3.8)**	**52.9**

Notes to the financial statements

1. Accounting policies

General Information

Dunelm (Soft Furnishings) Ltd is incorporated and domiciled in the UK, and registered in England and Wales. Dunelm (Soft Furnishings) Ltd is a private Company, limited by shares. The registered office is Dunelm Store Support Centre, Watermead Business Park, Syston, Leicestershire, England, LE7 1AD.

The primary business activity of the Company is the sale of homewares in the UK in stores and online.

Basis of preparation

The financial statements presented cover a 52-week trading period for the financial period ended 29 June 2024 (2023: 52-week period ended 1 July 2023).

These financial statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework" (FRS101) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. These financial statements are presented on pages 20 to 59

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in presentation of a cash flow statement and requirements to disclose related party transactions entered into between two or more members of a group. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The annual financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and other applicable law. The financial statements are prepared in pounds sterling, rounded to the nearest 0.1 million.

Going concern

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operational existence and as such can continue to adopt the 'going concern' basis of accounting. To support this assessment, the Board is required to consider the Company's current financial position, its strategy, the market outlook, and its principal risks.

The key judgement that the Directors have considered in forming their conclusion is the potential impact on future revenue, profits and cashflows of a downturn in consumer spending away from homewares due to the ongoing impact of sustained inflation, as well as the impact of broader economic uncertainty across a three-year review period. This scenario could result in no year growth in Year 1 and lower sales and higher costs across all channels throughout the review period. The Directors' have also considered a deeper downturn in consumer spending away from homewares, resulting in negative growth in Year 1 and lower sales and higher costs across all channels throughout the review period.

In both downside scenarios Dunelm Soft Furnishings Ltd has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with its dividend policy, and to comfortably meet its financial covenants. The Directors continue to assess the risks that climate change poses to the business and based on current legislation, climate change is not expected to have a significant impact on the Company's going concern assessment or on the viability of the Company over the next three years. Therefore, no incremental impact has been modelled in either of the downturn scenarios.

Notes to the financial statements

1. Accounting policies *(continued)*

Going concern *(continued)*

Reverse stress modelling has demonstrated that a prolonged sales reduction of 26% in each year is required to breach covenants by the end of FY26 and a reduction of 42% in both FY25 and FY26 is required to breach the RCF (maturing in September 2028) limit by the end of FY26, assuming reasonable mitigating actions have been implemented.

Even in such an event, management would follow a similar course of action to that initially undertaken during the recent COVID-19 pandemic. Such actions could include further reductions in discretionary spend (e.g. marketing and travel), headcount, and capital investment in new stores and refits.

The Company's banking agreements and associated covenants are set out in the Strategic Report and include a £250m RCF (maturing in September 2028, having exercised a one-year extension, with a further one-year extension option available subject to lender consent), an accordion option with a maximum facility of £100m and a £10m uncommitted overdraft.

As a result, the Board believes that the Company is well placed to manage its financing and other significant risks satisfactorily and that the Company will be able to operate within the level of its facilities and meet its liabilities as they fall due, for at least the next three years. For this reason, the Board considers it appropriate for the Company to adopt the going concern basis in preparing its financial statements.

Critical accounting judgements and sources of significant estimation uncertainty

Based in the IAS 1 definitions, there are no significant estimates or critical judgements used in the Financial Statements.

The inventory provision is not considered a significant estimate as there is not a significant risk of a material adjustment to the level of the provision in the next 12 months. Management do, however, consider the inventory provision to be a key estimate as it is based on assumptions relating to a highly material balance (gross inventory) and is subject to uncertainty. It is therefore disclosed as an other estimate in line with IAS 1.

Inventory provisions

The Company provides against the carrying value of the inventories held where it is anticipated that net realisable value (NRV) will be below cost. NRV is based on estimated selling price with future price reductions assumed to be in line with historic margin analysis on a line-by-line basis, and applied to the inventory population as deemed appropriate given the expected sell through period and discontinuation status. A 100 basis points change in the provision rate of each stock discontinuation category would lead to a change in the provision of £2.0m (2023: £1.9m). Consideration is also given to whether any stock categories require additional provision due to specific circumstances in place at the period end date

Consolidation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Revenue

Revenue is generated from the sale of homewares and related goods and services through the Company's stores and website, and is after deducting returns, relevant discounts and VAT. Revenue is recognised when the Company has satisfied its performance obligations to its customers and the customer has obtained control of the goods and services being transferred.

Notes to the financial statements

1. Accounting policies *(continued)*

Revenue *(continued)*

In general, these conditions for store sales are met at the point of sale. The exceptions to this are custom made products and Click & Collect sales, where revenue is recognised at the point that the goods are collected, and gift cards, where revenue is deferred and subsequently recognised when redeemed or expired. Gift card obligations are recognised as deferred income as shown in note 18.

An estimate of breakage is made on outstanding gift card balances based on historical data and estimates of future usage patterns, and recognised in line with the pattern of utilisation of the gift card balances. Revenue on home delivery sales is recognised at the point of delivery. Revenue is settled in cash at the point of sale for all revenue channels.

The Company has two types of products; stocked products and products which are sent directly from suppliers to customers. Management has established that the Company acts as a principal for both types of products and thus should recognise revenue as the gross amount of consideration to which it expects to be entitled.

The Company holds a sales return provision in the Statement of Financial Position to provide for expected levels of returns on sales made before the period end but returned after the period end. The Company recognises the expected value of revenue relating to returns within sales provisions and the expected value of cost of sales relating to the returned items is included within inventories.

Expenses

Financial income and expenses

Financial income and expenses comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses and interest and dividends received from Group companies.

Retirement benefits

The Company operates a defined contribution pension plan using a third-party provider. Obligations for the contributions to this plan are recognised as an expense in the Income Statement as incurred.

Share-based payments

Dunelm Group Plc operates a number of equity-settled, share-based compensation plans on behalf of employees of Dunelm (Soft Furnishings) Ltd, under which the entity receives services from employees as consideration for equity instruments (options) of Dunelm Group Plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions; (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Notes to the financial statements

1. Accounting policies *(continued)*

Share-based payments *(continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Foreign currencies

Transactions in foreign currencies are recorded at the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the Statement of Financial Position date. Resulting exchange gains or losses are recognised in the Income Statement for the period in financial income and expenses, except when deferred as qualifying cash flow hedges.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax represents the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, together with any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividends

Dividends are recognised as a liability in the period in which they are approved such that the Company is obligated to pay the dividend.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Intangible assets

Intangible assets comprise of software development, licenses, rights to brands and customer lists, are stated at cost less accumulated amortisation and impairment. Costs incurred in developing the Company's own brands are expensed as incurred.

Separately acquired brands and customer lists are shown at historical cost. Software, brands and customer lists acquired in a business combination are recognised at fair value at the acquisition date. These assets are deemed to have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful life.

Amortisation

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life of the asset. These are as follows:

- Software development and licenses — 3 to 5 years
- Rights to brands and customer lists — 5 to 15 years

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Investment properties

Property held by the Group to earn rental income or for capital appreciation is classified as investment property. Property occupied by the Group is recognised within property, plant and equipment. Judgement is applied in determining classification when management's future plans for properties include possible changes in future use.

Investment property is initially measured at cost being purchase price and directly attributable expenditure. Subsequently investment properties are held at cost less accumulated depreciation and impairment losses. Depreciation is provided on a consistent basis with that applied to property, plant and equipment.

For the current period, given the proximity of the transaction to the end of the reporting period, an independent valuation has not been sought, as it is considered that the purchase price is consistent with its fair value as at the period-end date.

Subsequent to the period end, we also secured a freehold tenanted retail property in an attractive location for £22.2m. We expect to convert this into a Dunelm format in the future upon expiry of the existing lease.

Depreciation

Depreciation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, to write down the cost to its estimated residual value. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 50 years
- Leasehold improvements over the remaining period of the lease, or useful life if shorter
- Fixtures, fittings, and equipment 3 to 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leases

Lease recognition

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to, and reviewed regularly for, impairment. Depreciation on right-of-use assets is included in operating costs in the Income Statement.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the Income Statement.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets (defined as assets with a value, when new, of £5,000 or less). Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Subsequent measurement

The lease liability and right-of-use asset is subsequently remeasured to reflect changes in:

- The lease term (using a revised discount rate);
- The assessment of a purchase option (using a revised discount rate); and
- Future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases. The payments related to leases are presented under cash flow from financing activities in the Cash Flow Statement.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Financial instruments

Recognition and measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the Income Statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the Income Statement and presented in other gains/(losses) together with foreign exchange gains and losses.
- FVPL: All other financial assets that do not meet the criteria for amortised cost are measured at FVPL, unless the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Income Statement in the period in which it arises.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Derivatives

Derivative financial instruments used are forward foreign exchange contracts. These are measured at fair value. The fair values are determined by reference to the market prices available from the market on which the instruments are traded.

Certain derivative financial instruments are designated as hedges in line with the Company's treasury policy. These are instruments that hedge exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecasted transaction.

Any gains or losses arising from changes in fair value derivative financial instruments not designated as hedges are recognised in the Income Statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, within operating costs.

When forward contracts are used to hedge forecast transactions, the Company designates the full change in fair value of the forward contract (including forward points) as the hedging instrument. The gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in the Income Statement as the hedged item affects profit or loss (for example, through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain/loss and deferred costs of hedging in equity at that time remain in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain/loss and deferred costs of hedging that were reported in equity are immediately reclassified to the Income Statement.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and then carried at amortised cost using the effective interest method, net of impairment provisions.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is derived using the average cost method and includes costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less cost to sell in the ordinary course of business. Provisions are made for obsolete, slow-moving or discontinued stock and for stock losses.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Cash and cash equivalents
Cash and cash equivalents comprise cash balances including credit card receipts and deposits. All cash equivalents have an original maturity of three months or less.

Trade and other payables
Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Bank borrowings and borrowing costs
Interest-bearing bank loans are initially recorded at their fair value and subsequently held at amortised cost. Transaction costs incurred are amortised over the term of the loan. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the Statement of Financial Position date.

Impairment of non-financial assets
The carrying amounts of the Company's assets are reviewed annually at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for assets grouped at the lowest levels for which there are largely independent cash flows, i.e. the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount. A cash-generating unit has been defined as an individual store or the online business. If an impairment loss is identified for a cash-generating unit, the loss shall be allocated to reduce the carrying amount of the assets of the unit pro-rated on the basis of the carrying amount of each asset in the unit for both property, plant and equipment and right-of-use assets. Impairment losses are recognised in the Income Statement.

Provisions
A provision is recognised in the Statement of Financial Position when the Company has a current legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably measured.

A provision for onerous contracts is recognised when the expected benefit to be derived by the Company from a contract is lower than the unavoidable costs of meeting its obligations under the contract.

A dilapidations provision is recognised when there is an expectation of future obligations relating to the maintenance of leasehold properties arising from events such as lease renewals or terminations.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Climate change

In preparing the financial statements we have considered the potential impact of climate change. Given that the identified risks of climate change are expected to be present in the medium to long term our focus has been on the non-current assets within the Statement of Financial Position. Specifically, for the material non-current assets, we note the following:

- The plant, property and equipment, and the right-of-use assets have relatively short useful lives (the average remaining lease term of our leasehold land and buildings is 5.2 years). The longer life assets relate to freehold stores and our head office, none of which are located in areas identified as being at significant risk to climate change.
- The intangible assets, which consist of a brand, internally generated and other software, have a useful life of 3 to 5 years and therefore we would not expect the identified risks to impact these assets.

The other non-current assets were also reviewed, and no risk was identified. Current assets, by their nature, are expected to be fully utilised within the business in the short term and no climate risk has been identified in this time horizon. Consequently, there has been no material impact on the financial reporting judgements and estimates applied in the preparation of the FY24 Annual Report and Financial Statements. Please see pages 46 to 49 of the Dunelm Group plc Annual Report and Accounts for further detail on our climate change risk assessment.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

New standards and interpretations

The Company has applied the following new standards and interpretations for the first time for the annual reporting period commencing 2 July 2023:

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

The Company has reviewed whether its arrangements meet the accounting definition of an insurance contract. Product warranty agreements issued in connection with sales of goods transfer an element of insurance risk, but contracts of this nature are excluded from IFRS 17 and will remain accounted for under the existing revenue and provisions standards. Therefore there is no impact on the financial position or performance of the Company on adoption.

The adoption of the standards and interpretations listed above has not led to any changes to the Company's accounting policies or had any other material impact on the financial position or performance of the Company.

New accounting standards in issue but not yet effective

New standards and interpretations that are in issue, but not yet effective, are listed below:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 7 and IFRS 7: Supplier finance arrangements.
- Amendments to IFRS 16: Lease liability in a sale and leaseback.

The adoption of the above standards and interpretations is not expected to lead to any changes to the Company's accounting policies nor have any other material impact on the financial position or performance of the Company.

Notes to the financial statements *(continued)*

2. Revenue

The Company has one reportable segment, in accordance with IFRS 8 'Operating Segment', which is the retail of homewares in the UK.

Customers access the Company's offer across multiple channels and their journey often involves more than one channel. Therefore, internal reporting focuses on the Company as a whole and does not identify individual segments.

The Chief Operating Decision-maker is the Executive Board. The Executive Board reviews internal management reports on a monthly basis and performance is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

All material operations of the Company are carried out in the UK. The Company's revenue is driven by the consolidation of individual small value transactions and as a result, Company revenue is not reliant on a major customer or group of customers.

At the period end the Company had £12.5m (2023: £13.8m) of sales orders placed that will be recognised in the Income Statement when the goods are despatched in the following financial period.

3. Operating costs

	2024 52 weeks £'m	2023 52 weeks £'m
Selling and distribution costs	**528.6**	489.6
Tech and support expenses	**136.8**	128.0
	665.4	617.6

4. Operating Profit

Operating profit is stated after charging the following items:

	2024 52 weeks £'m	2023 52 weeks £'m
Cost of inventories included in cost of sales	**812.3**	803.4
Amortisation of intangible assets	**4.1**	4.6
Depreciation of owned property, plant and equipment	**26.3**	25.2
Depreciation of right-of-use assets	**50.2**	49.3
Loss on disposal and impairment of property, plant and equipment and intangible assets	**0.3**	0.3
Loss on disposal and impairment of right-of-use assets	**0.9**	-
Expense relating to short-term leases	**3.7**	1.6

The cost of inventories included in cost of sales includes the impact of a net increase in the provision for obsolete inventory of £0.6m (2023: £0.8m decrease).

Notes to the financial statements *(continued)*

4. Operating Profit *(continued)*

The analysis of auditors' remuneration is as follows:

	2024	2023
	52 weeks	52 weeks
	£'000	£'000
Fees payable to the Company's auditors in respect of:		
Audit	**314**	286

There were no non-audit fees in the current or prior year.

5. Employee numbers and costs

The average monthly number of persons employed by the Company (including Directors) was:

	2024	**2024**	2023	2023
	52 weeks	**52 weeks**	52 weeks	52 weeks
	Number of heads	**Full time equivalents**	Number of heads	Full time equivalents
Selling	**9,591**	**5,258**	9,446	5,252
Distribution	**1,148**	**1,110**	1,057	1,026
Administration	**1,159**	**1,142**	1,088	1,071
	11,898	**7,510**	11,591	7,349

The aggregate remuneration of all employees (including Directors) comprises:

	2024	2023
	52 weeks	52 weeks
	£'m	£'m
Wages and salaries (including termination benefits)	**245.1**	222.3
Social security costs	**17.2**	15.7
Share-based payment expense (note 23)	**3.8**	4.0
Pension costs - defined contribution plans	**6.9**	6.2
	273.0	248.2

Disclosures relating to remuneration of Directors are set out in note 26.

Notes to the financial statements *(continued)*

6. Financial income and expenses

	2024 52 weeks £'m	2023 52 weeks £'m
Financial income		
Group undertakings	**-**	1.5
Interest on bank deposits	**1.6**	1.1
Net foreign exchange gains	**0.4**	0.6
	2.0	3.2
Financial expenses		
Group undertakings	**(1.6)**	(2.3)
Interest on bank borrowings	**(2.9)**	(2.2)
Amortisation of issue costs of bank loans	**(0.9)**	(0.3)
Interest on lease liabilities	**(6.1)**	(5.3)
	(11.5)	(10.1)
Net financial expense	**(9.5)**	(6.9)

7. Taxation

	2024 52 weeks £'m	2023 52 weeks £'m
Current taxation		
UK corporation tax charge for the period	**51.8**	39.9
Adjustments in respect of prior periods	**(0.4)**	0.1
	51.4	40.0
Deferred taxation		
Origination of temporary differences	**2.8**	0.6
Adjustment in respect of prior periods	**(0.1)**	0.1
Impact of change in tax rate	**-**	(0.1)
	2.7	0.6
Total tax expense	**54.1**	40.6

Notes to the financial statements *(continued)*

7. Taxation *(continued)*

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

	2024 52 weeks £'m	2023 52 weeks £'m
Profit before taxation	**208.4**	196.4
UK corporation tax at standard rate of 25.0% (2023: 20.5%)	**52.0**	40.3
Factors affecting the charge in the period:		
Non–deductible expenses	**3.3**	1.2
Profit on disposal of non-qualifying assets	**0.1**	-
Adjustments in respect of prior periods	**(0.5)**	0.2
Impact of change in tax rate	**-**	(0.1)
Group relief	**(0.8)**	(1.0)
	54.1	40.6

The taxation charge for the period as a percentage of profit before tax is 26% (2023: 20.7%).

The UK Government substantively enacted an increase in the corporation tax rate to 25.0% effective from 1 April 2023. The deferred tax asset as at 29 June 2024 has been calculated based on the rate of 25.0%.

8. Dividends

	2024 52 weeks £'m	**£ per share**	2023 52 weeks £'m	£ per share
Interim Dividends	**160.0**	**80.00**	233.3	116.65
	160.0	**80.00**	233.3	116.65

Total dividends of £160.0m (2023: £163.3m) were declared and authorised on the ordinary shares during the period. Of this total, £60.0m was declared but remained unpaid as at the period end to be paid in the following period (2023: £70.0m, paid in 2024).

Notes to the financial statements *(continued)*

9. Intangible assets

	Software development and licences £'m	Rights to brands and customer lists £'m	**Total £'m**
Cost			
At 2 July 2022	51.0	11.5	**62.5**
Additions	0.1	-	**0.1**
Disposals	(0.7)	-	**(0.7)**
At 1 July 2023	50.4	11.5	**61.9**
Additions	2.6	-	**2.6**
Disposals	(0.2)	-	**(0.2)**
At 29 June 2024	52.8	11.5	**64.3**
Accumulated amortisation			
At 2 July 2022	41.6	11.0	**52.6**
Charge for the financial period	4.5	0.1	**4.6**
Disposals	(0.6)	-	**(0.6)**
At 1 July 2023	45.5	11.1	**56.6**
Charge for the financial period	4.0	0.1	**4.1**
Disposals	(0.2)	-	**(0.2)**
At 29 June 2024	49.3	11.2	**60.5**
Net book value			
At 2 July 2022	9.4	0.5	**9.9**
At 1 July 2023	4.9	0.4	**5.3**
At 29 June 2024	3.5	0.3	**3.8**

All amortisation is included within operating costs in the Income Statement.

Management's review of indicators of impairment did not result in the recognition of any impairment in the period (2023: £nil).

Within software development and licences there were £2.4m additions (2023: £nil) relating to internally generated assets.

Notes to the financial statements *(continued)*

10. Property, plant and equipment

	Freehold Land and Buildings £'m	Leasehold Improvements £'m	Fixtures, fittings and equipment £'m	**Total £'m**
Cost or Valuation				
At 2 July 2022	93.0	164.1	132.0	**389.1**
Additions	-	10.2	11.4	**21.6**
Disposals	-	(7.2)	(3.1)	**(10.3)**
Transfers between classes	-	0.3	(0.3)	**-**
At 1 July 2023	93.0	167.4	140.0	**400.4**
Transfers	(0.2)	0.2	-	**-**
Additions	0.3	13.4	15.8	**29.5**
Disposals	-	(6.8)	(4.3)	**(11.1)**
At 29 June 2024	93.1	174.2	151.5	**418.8**
Accumulated depreciation				
At 2 July 2022	6.0	97.4	112.0	**215.4**
Charge for the financial period	1.8	14.3	9.1	**25.2**
Disposals	-	(7.0)	(3.1)	**(10.1)**
Transfers between classes	-	0.3	(0.3)	**-**
At 1 July 2023	7.8	105.0	117.7	**230.5**
Charge for the financial period	1.8	14.0	10.5	**26.3**
Disposals	-	(6.7)	(4.1)	**(10.8)**
Impairment	-	(0.1)	(0.1)	**(0.2)**
At 29 June 2024	9.6	112.2	124.0	**245.8**
Net book value				
At 2 July 2022	87.0	66.7	20.0	**173.7**
At 1 July 2023	85.2	62.4	22.3	**169.9**
At 29 June 2024	83.5	62.0	27.5	**173.0**

All depreciation and impairment charges have been included within operating costs in the Income Statement.

The impairment charge of £(0.2)m recognised in the period (2023: £nil) relates to temporary provision for impairment in respect of one store. The recoverable amount calculated in the impairment review was based on a value in use, applying a pre-tax discount rate of 12.5%.

Notes to the financial statements *(continued)*

11. Leases

Right-of-use assets included in the Statement of Financial Position at 29 June 2024 were as follows:

	2024	**2024**	**2024**	2023
	Land and buildings	Motor vehicles, plant and equipment	**Total**	Total
	£'m	£'m	**£'m**	£'m
At the beginning of the period	215.5	15.8	**231.3**	248.5
Additions	33.6	11.0	**44.6**	32.3
Disposals	(1.8)	(0.1)	**(1.9)**	(0.2)
Impairment	(0.9)	-	**(0.9)**	-
Depreciation	(44.7)	(5.5)	**(50.2)**	(49.3)
At the end of the period	**201.7**	**21.2**	**222.9**	231.3

Right-of-use additions includes £5.2m of lease modifications in the period (2023: none).

The impairment charge of £(0.9)m (2023: £nil) relates to a temporary provision for impairment in respect of a lease for a property currently not in use.

Lease liabilities included in the Statement of Financial Position at 29 June 2024 were as follows:

	2024	**2024**	**2024**	2023
	Land and buildings	Motor vehicles, plant and equipment	**Total**	Total
	£'m	£'m	**£'m**	£'m
At the beginning of the period	(242.5)	(15.7)	**(258.2)**	(278.1)
Additions	(35.1)	(11.1)	**(46.2)**	(33.2)
Disposals	1.8	0.1	**1.9**	0.2
Interest	(5.1)	(1.0)	**(6.1)**	(5.3)
Repayment of lease liabilities	52.8	6.2	**59.0**	58.2
At the end of the period	**(228.1)**	**(21.5)**	**(249.6)**	(258.2)

The discount rate applied across all lease liabilities ranged between 0.90% and 6.76% (2023: 0.90% and 5.85%). The discount rate is determined at the inception of the lease and the rate reflects our incremental borrowing rate which we assess by considering the marginal rate on the Company's Revolving Credit Facility ('RCF'), the Bank of England base rate, the yield on Government bonds and the term of the lease.

The lease liability, as split between current and non-current liabilities in the Statement of Financial Position, is as follows:

	2024	2023
	£'m	£'m
Current	**(52.1)**	(53.4)
Non-current	**(197.5)**	(204.8)
	(249.6)	(258.2)

Notes to the financial statements *(continued)*

11. Leases *(continued)*

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2024	2023
	£'m	£'m
Less than one year	**(59.2)**	(65.8)
One to two years	**(50.9)**	(61.4)
Two to five years	**(104.1)**	(123.0)
Five to ten years	**(63.2)**	(78.9)
More than ten years	**(1.7)**	(3.7)
Total undiscounted lease liability	**(279.1)**	(332.8)

The average remaining lease term of our leasehold land and buildings is 4.2 years (2023: 5.0 years).

The following amounts have been recognised in the Income Statement:

	2024 52 weeks	**2024 52 weeks**	**2024 52 weeks**	2023 52 weeks
	Land and buildings	Motor vehicles, plant and equipment	**Total**	Total
	£'m	£'m	**£'m**	£'m
Depreciation of right-of-use assets	44.7	5.5	**50.2**	49.3
Impairment of right-of-use assets	0.9	-	**0.9**	
Interest expenses (included in financial expenses)	5.1	1.0	**6.1**	5.3
Expense relating to short-term leases	2.3	1.4	**3.7**	1.6

The total cash outflow for leases during the financial period was £56.9m (2023: £57.3m).

12. Investment Property

In June 2024 we purchased a tenanted freehold property for £7.5m, providing current rental income and future capacity for our store support centre.

Given the proximity of the transaction to the end of the reporting period, an independent valuation has not been sought, as it is considered that the purchase price is consistent with its fair value as at the period-end date.

Subsequent to the period end, we also secured a freehold tenanted retail property in an attractive location for £22.2m. We expect to convert this into a Dunelm format in the future upon expiry of the exiting lease.

Notes to the financial statements *(continued)*

13. Investment in subsidiary undertakings

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of Subsidiary	Proportion of ordinary shares held	Nature of business
1)Fogarty Holdings Limited	100%	Non-trading Company
2)Zoncolan Limited	100%	Dormant
3)Dunelm (Soft Furnishings) Londonderry Ltd	100%	Dormant

1) Fogarty Holdings Limited
The registered address for Fogarty Holdings Limited is Dunelm Store Support Centre Watermead Business Park, Syston, Leicester, Leicestershire, England, LE7 1AD.

2) Zoncolan Limited
The registered address for Zoncolan Limited is Dunelm Store Support Centre Watermead Business Park, Syston, Leicester, Leicestershire, England, LE7 1AD.

3) Dunelm (Soft Furnishings) Londonderry Ltd
The registered address for Dunelm (Soft Furnishings) Londonderry Ltd is Faustina Retail Park, 35 Buncrana Road, Londonderry, Northern Ireland, BT48 8QN.

14. Deferred tax assets/liabilities

Deferred tax is provided in full on temporary differences under the liability method using a taxation rate of 25.0%.

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net assets/(liabilities)	
	2024	2023	**2024**	2023	**2024**	2023
	£'m	£'m	**£'m**	£'m	**£'m**	£'m
Property, plant and equipment	-	-	**(2.7)**	(0.8)	**(2.7)**	(0.8)
Share-based payments	**2.6**	4.6	**-**	-	**2.6**	4.6
Hedging	**1.3**	2.3	**-**	-	**1.3**	2.3
Other temporary differences	**0.4**	0.4	**(0.2)**	(0.2)	**0.2**	0.2
	4.3	7.3	**(2.9)**	(1.0)	**1.4**	6.3

	Assets		Liabilities		Net assets/(liabilities)	
	2024	2023	**2024**	2023	**2024**	2023
	£'m	£'m	**£'m**	£'m	**£'m**	£'m
Deferred tax recoverable/(payable) after more than 12 months	**1.6**	1.7	**(2.9)**	(1.0)	**(1.3)**	0.7
Deferred tax recoverable/(payable) within 12 months	**2.7**	5.6	**-**	-	**2.7**	5.6
	4.3	7.3	**(2.9)**	(1.0)	**1.4**	6.3

Notes to the financial statements *(continued)*

14. Deferred tax assets/liabilities *(continued)*

The movement in the net deferred tax balance is as follows:

	Balance at 3 July 2022	Recognised in income	Recognised in equity	Balance at 1 July 2023
	£'m	£'m	£'m	£'m
Property, plant and equipment	0.7	(1.5)	-	(0.8)
Share-based payments	6.5	0.8	(2.7)	4.6
Hedging	(4.3)	-	6.6	2.3
Other temporary differences	0.1	0.1	-	0.2
	3.0	(0.6)	3.9	6.3

	Balance at 2 July 2023	Recognised in income	Recognised in equity	**Balance at 29 June 2024**
	£'m	£'m	£'m	**£'m**
Property, plant and equipment	(0.8)	(1.9)	-	**(2.7)**
Share-based payments	4.6	(0.8)	(1.2)	**2.6**
Hedging	2.3	-	(1.0)	**1.3**
Other temporary differences	0.2	-	-	**0.2**
	6.3	(2.7)	(2.2)	**1.4**

15. Inventories

	2024	2023
	£'m	£'m
Raw materials	**1.3**	1.6
Work in progress	**0.1**	-
Finished goods and goods for resale	**221.6**	209.4
	223.0	211.0

Goods for resale includes a net realisable value provision of £21.3m (2023: £20.7m). Write-downs of inventories to net realisable value amounted to £30.7m (2023: £30.2m). These were recognised as an expense during the period and were included in cost of sales in the Income Statement.

Notes to the financial statements *(continued)*

16. Trade and other receivables

	2024	2023
	£'m	£'m
Trade receivables	**3.7**	3.1
Other receivables	**0.4**	0.1
Prepayments and accrued income	**22.1**	21.1
	26.2	24.3

All trade receivables are due within one year from the end of the reporting period.

No impairment was incurred on trade and other receivables during the period and the expected credit loss provision held at period end is £nil (2023: £nil). No material amounts are overdue (2023: £nil).

17. Cash and cash equivalents

	2024	2023
	£'m	£'m
Cash at bank and in hand	**23.4**	46.3

The Company deposits funds only with institutions that have a credit rating of “A” and above and the term is less than three months.

Notes to the financial statements *(continued)*

18. Trade and other payables

	2024	2023
	£'m	£'m
Trade payables	**92.3**	94.6
Accruals	**67.1**	63.2
Amounts owed to group undertakings	**85.1**	85.1
Other payables	**0.6**	0.2
Taxation and social security	**32.3**	37.3
Deferred income	**12.5**	12.5
Total trade and other payables	**289.9**	292.9

Deferred income includes contract liabilities of £8.8m (2023: £9.1m) where payment has been received in respect of performance obligations which will be met in future periods. Performance obligations associated with contact liabilities relating to unfulfilled sales orders of £7.5m (2023: £8.0m) are expected to be met within twelve months of the reporting date. Contract liability for gift cards of £1.3m (2023: £1.1m) may be met over a period of up to two years from the reporting date, consistent with the term of the gift cards in issue.

Movement in the gift card deferred income balance is as follows:

	2024	2023
	£'m	£'m
Opening balance	**1.1**	1.3
Issued in year	**5.6**	5.3
Released to Income statement	**(5.4)**	(5.5)
Closing balance	**1.3**	1.1

Notes to the financial statements *(continued)*

19. Financial risk management

The Board of Directors has overall responsibility for the oversight of the Company's risk management framework. A formal process for reviewing and managing risk in the business is in place.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's deposits with banks and financial institutions as well as foreign exchange hedging agreements with its banking counterparties. The Company only deals with creditworthy counterparties and uses publicly available financial information to rate its counterparties, therefore credit risk is considered to be low.

Company policy is that surplus funds are placed on deposit with counterparties approved by the Board, with a minimum of an 'A' credit rating. The credit limit for the syndicate banks is £60m. All other parties are limited to £25m.

The Company's maximum exposure to credit risk is represented by the carrying amount of financial assets. No collateral is held (2023: £nil). At the period end the maximum exposure is detailed in the table below.

	2024	2023
Current	**£'m**	£'m
Cash and cash equivalents	**23.4**	46.3
Trade and other receivables	**4.1**	3.2
Accrued income	**10.2**	10.1
Derivative financial instruments	**0.3**	1.8
Total current financial assets	**38.0**	61.4
Non-current		
Derivative financial instruments	**0.1**	-
Total financial assets	**38.1**	61.4

Trade and other receivables include rebates due from suppliers recognised as a reduction to cost of sales in the period to which they relate. The rebates are recovered through deductions from future payments to suppliers and therefore management is confident of the recoverability of these balances.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses ('ECL') which uses a lifetime expected loss allowance for all trade and other receivables and accrued income. To measure the expected credit losses, trade and other receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. There is limited exposure to ECL due to the way the Company operates.

The Company will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the Company may still choose to pursue enforcement in order to recover the amounts due.

On that basis, the loss allowance as at 1 July 2023 and 29 June 2024 was determined to not be significant for trade and other receivables, accrued income and cash and cash equivalents.

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and extreme circumstances. The Company manages this risk by continuously monitoring cash flow forecasts. Further details of the Company's available facilities can be found in the capital management section of this note.

All cash flows on financial liabilities for 2024 and 2023 are contractually due within one year with the exception of provisions, bank loans, derivative financial liabilities and lease liabilities. The details of lease liabilities are shown in note 11.

Total borrowings of £79.0m (2023: £77.0m) reflect the level of facility drawdown at the period end on the Company's committed RCF.

Interest rate risk

The Company's bank borrowings incur variable interest rate charges. The Company's policy aims to manage the interest cost of the Company within the constraints of the Group's financial covenants. The Company will continue to monitor movements in the interest rate swap market.

During the period, if SONIA had been 100 basis points higher with all other variables held constant, post-tax profit would have been £0.3m lower (2023: £0.3m lower).

Foreign currency risk

All of the Company's revenues are in sterling. The majority of purchases are also in pounds sterling, but some goods purchased direct from overseas suppliers are paid for in US dollars, accounting for just over 30% (2023: 30%) of stock purchases in the period ended 29 June 2024.

The Company uses various means to cover its exposure to US dollars including holding US dollar cash balances and taking out forward foreign exchange contracts for the purchase of US dollars. All the Group's foreign exchange transactions are designed to satisfy US dollar denominated liabilities. The maximum level of hedging coverage which will be undertaken is 100% of anticipated expenditure on a three-month horizon, stepping down to 75% on a four- to 12-month horizon and 50% on a 13- to 18-month horizon. There is a low level of coverage beyond the 18-month horizon.

Cash flow hedges are in place to manage foreign exchange rate risk arising from forecast purchases denominated in US dollars. At the Consolidated Statement of Financial Position date, the fair value of US dollar foreign exchange forward contracts held in cash flow hedges was a £5.1m liability (2023: £9.2m liability) which relates to a commitment to purchase $368.0m (2023: $350.5m) for a fixed sterling amount. A fair value gain of £0.2m (2023: loss of £14.0m) was recognised in other comprehensive income and no loss (2023: nil) was recognised on cash flow hedges during the period. In the period, a loss of £3.9m (2023: £19.7m gain) was recycled from the cash flow hedge reserve to inventory to offset foreign exchange movements on purchases. The remaining hedge reserve balance will be recycled to the Consolidated Income Statement to offset future purchases occurring after the Consolidated Statement of Financial Position date, the majority of which expire in the next 12 months.

The outstanding US dollar liabilities at the period end were $0.1m (2023: $0.1m).

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

At the period end if GBP had strengthened by 10% against US dollar with all other variables held constant, post-tax profit would have been £0.1m higher (2023: £0.9m higher) as a result of foreign exchange gains on translation of US dollar denominated trade payables and cash and cash equivalents. Other components of equity would have been £0.5m higher (2023: £0.9m higher) as a result of a decrease in fair value of derivatives designated as cash flow hedges.

Conversely, if GBP had weakened by 10% against US dollar with all other variables held constant, post-tax profit for the period would have been £0.1m lower (2023: £1.1m lower) and other components of equity would have been £0.5m lower (2023: £0.9m lower).

The US dollar period end exchange rate applied in the above analysis is £1 = $1.2644 (2023: £1 = $1.2694).

Capital management

The Company considers equity plus debt as capital. There are no externally imposed capital requirements on the Company.

The Board's objective with respect to capital management is to ensure the Company continues as a going concern in order to optimise returns to shareholders. The Board regularly monitors the level of capital in the Company to ensure that this can be achieved.

The Company has a syndicated RCF of £250m which is committed until 6 September 2027, which may be extended by a further two, one year increments at Dunelm's request, subject to lender consent. There is also an optional accordion facility of £100m. The terms of the RCF are consistent with normal practice and include covenants in respect of leverage (Group net debt to be no greater than 2.5x Group EBITDA before exceptional items) and fixed charge cover (Group EBITDAR before exceptional items to be no less than 1.75x Group fixed charges), both of which were met comfortably as at 29 June 2024. Covenant calculations are included in note 18 to the Parent Company's financial statements, Dunelm Group plc. In addition, the Company maintains £10m of uncommitted overdraft facilities with one syndicate partner bank.

Derivatives: Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Company or the derivative counterparty.

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

Market Risk

The Company uses a combination of foreign currency options and foreign currency forwards to hedge its exposure to foreign currency risk.

The Company only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted where material.

The changes in the forward element of the foreign currency forwards and the time value of the options that relate to hedged items are deferred in the hedging reserve.

Effects of hedge accounting on the financial position and performance

	2024	2023
	£'m	£'m
Foreign currency forwards		
Carrying amount of liability	**(5.1)**	(9.2)
Notional amount	**295.5**	286.4
Maturity date	**July 2024-April 2026**	July 2023-June 2025
Hedge ratio	**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	**£0.2m**	£(14.0)m
Change in the value of hedging instruments	**£(0.2)m**	£14.0m
Weighted average hedged rate for the period (including forward points)	**£1:US$1.2455**	£1:US$1.2998

Fair values

The fair value of the Company's financial assets and liabilities are equal to their carrying value. The fair value of foreign currency contracts are amounts required by the counterparties to cancel the contracts at the end of the period.

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All derivative financial instruments carried at fair value have been measured by a Level 2 valuation method, based on observable market data.

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

Financial assets/(liabilities)

The carrying value of all financial assets and financial liabilities was materially equal to their fair value.

At 1 July 2023	Financial assets at amortised cost £'m	Financial liabilities at amortised cost £'m	Derivatives used for hedging £'m	Total £'m
Cash and cash equivalents	46.3	-	-	46.3
Trade and other receivables	3.2	-	-	3.2
Accrued income	10.1	-	-	10.1
Derivative financial instruments	-	-	1.8	1.8
Total financial assets	**59.6**	**-**	**1.8**	**61.4**
Trade and other payables	-	(94.8)	-	(94.8)
Amounts owed to group undertakings	-	(85.1)	-	(85.1)
Accruals	-	(63.5)	-	(63.5)
Lease liabilities	-	(258.2)	-	(258.2)
Bank loans	-	(75.9)	-	(75.9)
Derivative financial instruments	-	-	(11.0)	(11.0)
Total financial liabilities	**-**	**(577.5)**	**(11.0)**	**(588.5)**
Net financial assets/(liabilities)	**59.6**	**(577.5)**	**(9.2)**	**(527.1)**

At 29 June 2024	**Financial assets at amortised cost £'m**	**Financial liabilities at amortised cost £'m**	**Derivatives used for hedging £'m**	**Total £'m**
Cash and cash equivalents	23.4	-	-	**23.4**
Trade and other receivables	4.1	-	-	**4.1**
Accrued income	10.2	-	-	**10.2**
Derivative financial instruments	-	-	0.4	**0.4**
Total financial assets	**37.7**	**-**	**0.4**	**38.1**
Trade payables & other payables	-	(92.9)	-	**(92.9)**
Amounts owed to group undertakings	-	(85.1)	-	**(85.1)**
Accruals	-	(67.1)	-	**(67.1)**
Lease liabilities	-	(249.6)	-	**(249.6)**
Bank loans	-	(77.0)	-	**(77.0)**
Derivative financial instruments	-	-	(5.5)	**(5.5)**
Total financial liabilities	**-**	**(571.7)**	**(5.5)**	**(577.2)**
Net financial assets/(liabilities)	**37.7**	**(571.7)**	**(5.1)**	**(539.9)**

Notes to the financial statements *(continued)*

19. Financial risk management *(continued)*

Amounts owed from and to group undertakings are receivable/payable on demand.

The currency profile of the Company's cash and cash equivalents is as follows:

	2024	2023
	£'m	£'m
Sterling	**22.2**	33.8
US dollar	**0.9**	12.4
Euro	**0.3**	0.1
	23.4	46.3

20. Bank loans

	2024	2023
	£'m	£'m
Bank borrowings	**79.0**	77.0
Less: unamortised debt issue costs	**(2.0)**	(1.1)
Net borrowings	**77.0**	75.9

Borrowings relate to the Company's syndicated Revolving Credit Facility as described in note 19.

The analysis below shows the reconciliation of net debt:

	2024	2023
	£'m	£'m
Net debt at 2 July 2023 and 3 July 2022	**(30.7)**	(23.8)
Net (decrease)/ increase in cash and cash equivalents (excluding foreign exchange revaluations)	**(23.7)**	15.5
Effect of foreign exchange (note 6)	0.4	0.6
Repayments of Revolving Credit Facility	108.0	116.0
Drawdowns of Revolving Credit Facility	**(110.0)**	(139.0)
Movements in net debt	**(25.3)**	(6.9)
Net debt represented by		
Cash and cash equivalents (note 17)	**23.4**	46.3
Non-current borrowings	**(79.0)**	(77.0)
Net debt at 29 June 2024 and 1 July 2023	**(55.6)**	(30.7)
Lease liabilities (note 11)	**(249.6)**	(258.2)
Net debt at 29 June 2024 and 1 July 2023 (including lease liabilities)	**(305.2)**	(288.9)

Notes to the financial statements *(continued)*

21. Provisions

	Balance at 2 July 2023	Utilised in the period	Created in the period	Released in the period	Balance at 29 June 2024
	£'m	£'m	£'m	£'m	£'m
Property related	5.9	(0.2)	1.5	(1.7)	5.5

Property-related provisions consist of costs associated with vacant property and dilapidations. Dilapidations are based on the Directors' best estimate of the Company's future liabilities.

22. Share capital

	2024	**2024**	2023	2023
	Number	**£'m**	Number	£'m
Ordinary shares of £1 each:				
At 1 July 2023 and 29 June 2024	**2,000,000**	**2.0**	2,000,000	2.0

23. Share-based payments

Dunelm Group Plc operates a number of share-based payment schemes on behalf of employees of Dunelm (Soft Furnishings) Ltd which are recognised as an expense in the Company, as follows:

Dunelm Group Savings Related Share Option Plan (Sharesave)

The Dunelm Group Savings Related Share Option Plan (Sharesave) scheme is open to all colleagues with eligible length of service. Invitations to participate in the scheme are issued annually and the scheme is 'approved' under HMRC rules.

The current maximum monthly savings for the schemes detailed below is £500. Options are granted at the prevailing market rate less a discount of 20%. Options may be exercised under the scheme within six months of the completion of each three-year savings contract (from the grant date). There is provision for early exercise in certain circumstances such as death, disability, redundancy, and retirement. Sharesave options are also accounted for as equity-settled awards under IFRS 2.

The following table summarises the movement in Dunelm Sharesave options during the period:

	2024	**2024**	2023	2023
Sharesave Plans	**No. of options**	**Weighted average exercise price (p)**	No. of options	Weighted average exercise price (p)
Outstanding at beginning of year	**2,208,870**	**718.00**	1,180,792	922.83
Granted	**614,293**	**810.00**	2,058,273	667.00
Exercised	**(22,174)**	**658.94**	(371,564)	634.54
Forfeited	**(371,340)**	**754.03**	(658,631)	973.60
Outstanding at end of year	**2,429,649**	**736.11**	2,208,870	718.00
Exercisable at end of year	**78,984**	**1,167.00**	30,550	654.00

Notes to the financial statements *(continued)*

23. Share-based payments *(continued)*

Exercisable at end of period refers to all share options not exercised which have passed their vesting date, but not yet reached their expiry date. 78,984 options (2023: 30,550 options) excludes the provisions for early exercise explained above.

Options outstanding at 29 June 2024 are exercisable at prices ranging between 667.00p and 1,167.00p (2023: 654.00p and 1,167.00p) and have a weighted average remaining contractual life of 2.1 years (2023: 2.8 years), as analysed in the table below:

	2024	**2024**	2023	2023
Sharesave Plans	**No. of options**	**Weighted average remaining contractual life (years)**	No. of options	Weighted average remaining contractual life (years)
Exercise price (pence):				
654.00	**-**	**-**	19,110	-
667.00	**1,677,650**	**2.0**	1,923,547	3.0
810.00	**537,082**	**3.0**	-	-
1,046.00	**135,195**	**1.0**	170,758	2.0
1,167.00	**79,722**	**-**	95,455	1.0
	2,429,649	**2.1**	2,208,870	2.8

Long-Term Incentive Plan (LTIP)

Dunelm Group plc operates an equity-settled LTIP scheme for Executive Directors and other senior colleagues of the Company. Performance conditions for the LTIP awards are related to the diluted earnings per share ratio of the Group. LTIP options are also accounted for as equity-settled awards under IFRS 2 and several key ESG metrics of the Group.

The following table summarises the movements in nil cost LTIP awards during the period:

	2024	2023
LTIP Awards	**No. of options**	No. of options
Outstanding at beginning of period	**1,352,037**	1,050,909
Granted	**365,696**	506,304
Dividend equivalent awarded in the period	**47,535**	87,018
Exercised	**(260,250)**	(193,462)
Forfeited	**(186,399)**	(98,732)
Outstanding at end of period	**1,318,619**	1,352,037
Exercisable at end of period	**4,717**	21,505

Exercisable at end of period refers to all share options not exercised which have passed their vesting date, but not yet reached their expiry date.

The weighted average remaining contractual life of these options is 7.8 years (2023: 7.8 years).

Notes to the financial statements *(continued)*

23. Share-based payments *(continued)*

Restricted Stock Award (RSA)

These awards are granted to particular individuals within the Company and are dependent on continuing employment. The only performance condition is that the threshold diluted EPS as per the LTIP conditions is met. RSA options are also accounted for as equity-settled awards under IFRS 2.

The following table summarises the movements in nil cost RSA options during the period:

	2024	2023
Restricted Stock Award	**No. of options**	No. of options
Outstanding at beginning of period	**316,446**	123,544
Granted	**155,032**	207,203
Dividend equivalent awarded in the period	**9,928**	14,697
Exercised	**(115,428)**	(12,756)
Forfeited	**(31,231)**	(16,242)
Outstanding at end of period	**334,747**	316,446
Exercisable at end of period	**12,437**	2,836

Exercisable at end of period refers to all share options not exercised which have passed their vesting date, but not yet reached their expiry date.

The weighted average remaining contractual life of these options is 7.9 years (2023: 7.5 years).

Bonus Deferred Shares Award

The Bonus Deferred Shares Award provide options over shares in Dunelm Group plc for colleagues of the Company as a discretionary bonus. This is an equity-settled share option scheme and there are no performance conditions attached to these awards, they are only dependent on continued employment. Under this arrangement, colleagues are awarded a number of options which is based on the cash value of the earned bonus award for their grade, determined by their achievement of a mixture of Dunelm Group plc and individual performance metrics, divided by Dunelm Group plc's share price value of 1,189.00p which was approved at the November 2020 AGM. The deferred shares awarded vest in September 2021 and/or September 2022, depending on colleague grade.

The Bonus Deferred Shares Award is structured as nil cost options and the following table summarises their movement during the period:

	2024	2023
Bonus Deferred Shares Award	**No. of options**	No. of options
Outstanding at beginning of period	**2,783**	126,132
Granted	**-**	-
Dividend equivalent awarded in the period	**-**	-
Exercised	**-**	(119,401)
Forfeited	**(74)**	(3,948)
Outstanding at end of period	**2,709**	2,783
Exercisable at end of period	**2,709**	2,783

The weighted average remaining contractual life of these options is nil years (2023: nil years).

Notes to the financial statements *(continued)*

23. Share-based payments *(continued)*

Fair value calculations

The fair values of all share options granted are calculated at the date of grant using a Black-Scholes option pricing model. Expected volatility is determined by calculating the historical volatility of the Company's share price over a period equivalent to the expected life of an option which is aligned to its vesting period.

The following tables list the inputs to the model used for options granted in the periods ended 29 June 2024 and 1 July 2023 based on information at the date of grant:

Sharesave Plans	2024	2023
Share price at date of grant	**1,086.00p**	974.00p
Exercise price	**810.00p**	667.00p
Volatility	**34.55%**	42.28%
Expected life	**3 years**	3 years
Risk-free rate	**3.31%**	3.66%
Dividend yield	**3.88%**	3.27%
Fair value per option	**342.80p**	393.50p

LTIP Awards	2024	2023
Share price at date of grant	**1,086.00p**	865.00p
Exercise price	**0.00p**	0.00p
Volatility	**34.55%**	43.06%
Expected life	**3 years**	3 years
Risk-free rate	**3.93%**	3.62%
Dividend yield	**3.88%**	3.27%
Fair value per option	**736.90p**	623.30p

Restricted Stock Awards	2024	2023
Share price at date of grant	**1,086.00-1,111.00p**	678.00p-867.00p
Exercise price	**0.00p**	0.00p
Volatility	**27.43%-34.55%**	35.58%- 35.90%
Expected life	**1-2 years**	1-2 years
Risk free rate	**3.93%-3.97%**	2.82%- 3.62%
Dividend yield	**3.88%**	3.27%
Fair value per option	**736.90p-1,086.20p**	623.30p-839.10p

The charge to the Income Statement for all share option schemes is disclosed in note 5.

Notes to the financial statements *(continued)*

24. Commitments

As at the period end date, the Company had entered into capital contracts amounting to £1.5m (2023: £8.1m).

25. Contingent liabilities

The Company had no contingent liabilities at the period end date (2023: none).

26. Related parties

Identity of related parties

The Company has related party relationships with its Parent and Company subsidiaries and with its Directors.

Key management personnel

The remuneration of the key management personnel is as follows:

	2024 52 weeks £'m	2023 52 weeks £'m
Wages and salaries	**1.8**	2.0
Termination benefits	**-**	0.1
Short term employee benefits	**1.0**	1.8
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.4**	1.0
	3.3	5.0
Remuneration in respect of the highest paid director is as follows:		
Remuneration for qualifying services	**0.3**	0.4
Share options in respect of qualifying services under a long term incentive scheme	**0.1**	0.1
	0.4	0.5

The key management personnel comprise the members of the Executive committee.

The following Company Directors were paid by the Ultimate Parent Company:

Sir Will Adderley
Nicholas Wilkinson
Karen Witts

Disclosures relating to remuneration of the above Directors are set out in the Annual Report of Dunelm Group Plc. The remuneration of the above directors is paid by the parent company which makes no recharge to the company. They are directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of these directors. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

Notes to the financial statements *(continued)*

27. Ultimate parent Company

The Company is a subsidiary undertaking of Dunelm Limited, which in turn is a subsidiary undertaking of Dunelm Group plc, the ultimate parent Company incorporated in England and Wales. The Directors consider that there is no ultimate controlling party of Dunelm Group plc. The largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is the Dunelm Group plc financial statements.

Copies of the Dunelm Group plc financial statements are available from the Company Secretary, Dunelm Group plc, Watermead Business Park, Syston, Leicestershire, England, LE7 1AD, or the group corporate website corporate.dunelm.com.