14 February 2024
Dunelm Group plc

Interim Results for the 26 weeks ended 30 December 2023

Strong performance and increasing our broad appeal

Dunelm Group plc ("Dunelm" or "the Group"), the UK's leading homewares retailer, today announces its interim results for the 26 weeks to 30 December 2023.

	H1 FY24	H1 FY23	YoY
Total sales	£872.5m	£835.0m	+4.5%
Digital % total sales[1]	36%	34%	+2ppts
Gross margin	52.7%	51.1%	+160bps
Operating costs:sales ratio	38.1%	36.6%	+150bps
Profit before tax ("PBT")	£123.0m	£117.4m	+4.8%
Diluted earnings per share	44.6p	45.8p	-2.6%
Free cash flow[2]	£91.1m	£102.1m	-£11.0m
Net cash[3]	£6.2m	£18.2m	-£12.0m
Interim dividend per share	16p	15p	+6.7%
Special dividend per share	35p	40p	n/a

Highlights

- Strong sales growth of 4.5%, with total sales increasing to £872m (FY23 H1: £835m)
- Market share increased in both homewares and furniture markets, with a combined gain of 50bps[4]
- Growth in active customers of 4.2%[5], alongside increased transaction frequency
- Continued digital growth with 36% of total sales generated through digital channels (FY23 H1: 34%)
- Strengthened customer offer drove broad-based growth across our categories and channels
- Extended our total retail system with four new stores opened in H1, taking the total to 183
- Evolved our marketing ecosystem, including the launch of our 'Home of Homes' brand platform
- Over 125,000 Christmas gifts donated to local good causes through the 'Delivering Joy' campaign - double last year
- Continuing to invest for the long term in new store openings, brand marketing and digitalising the business

Financial highlights

- Gross margin up 160bps through promotional discipline while continuing to offer outstanding value
- Maintained tight operational grip on costs, with inflationary impacts partly offset by efficiency gains
- Profit before tax ("PBT") increased by 4.8% to £123m (FY23 H1: £117m)
- Strong free cash flow generation of £91m (FY23 H1: £102m)
- Interim dividend of 16p (FY23 H1: 15p); an increase of 7%
- Special dividend of 35p to return to target leverage range of 0.2× - 0.6× net debt:EBITDA[6,7]

Current trading and outlook

- Pleased with trading so far in the second half
- Customers have been resilient but the consumer outlook remains uncertain
- Continuing to invest to increase our broad appeal while maintaining tight operational grip
- Our PBT expectations for the full year are unchanged and in line with the market[8]

Nick Wilkinson, Chief Executive Officer, commented*:*

"In the past six months we have kept our customers front of mind, ensuring our broad offer has value at its core whilst also expanding our ranges, introducing new styles, and improving the experience across our store and digital channels.

"This has been particularly important in a more difficult trading environment and has resulted in another strong sales performance combined with market share gains. Despite ongoing pressures on consumers, we are encouraged by the wide variety of new customers shopping with Dunelm, and existing shoppers also coming back more frequently. Alongside the positive sales performance we have delivered a very strong gross margin, which is testament to our tight operational control and the inherent strength of our business model.

"As we move towards Spring and customers look to freshen up their homes, our specialist proposition continues to resonate strongly and, in a dynamic retail environment, we are relentlessly focused on evolving and investing in our business to ensure we remain relevant to further increase our broad appeal. We have never been more excited about our future as we build trust in our offer and identity as the Home of Homes."

[1] Digital includes home delivery, Click & Collect and tablet-based sales in store.
[2] Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities. A reconciliation of operating profit to free cash flow is included in the CFO review.
[3] Excluding lease liabilities. Full definition provided in the table of alternative performance measures.
[4] GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period January 2023 to December 2023 was 7.6%.
[5] Active customers are those who have shopped with us at least once in a 12-month period. Growth in the 12 months to December 2023 compared to the previous 12 months. Management estimates using Barclays data.
[6] Operating profit plus depreciation and amortisation of property, plant and equipment and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets plus depreciation on right-of-use assets.
[7] Within target range at the end of H1 after interim and special dividend commitments.

[8] Company compiled average of analysts' expectations for FY24 PBT is £202m, with a range of £199m to £207m.

Analyst Presentation:

There will be an in-person presentation for analysts and institutional investors this morning at 9.30am, hosted at Peel Hunt LLP, 100 Liverpool Street, London, EC2M 2AT, as well as a webcast and conference call with a facility for Q&A. For details, please contact christian.harte@mhpgroup.com. A copy of the presentation will be made available at corporate.dunelm.com.

For further information please contact:

Dunelm Group plc	investorrelations@dunelm.com
Nick Wilkinson, Chief Executive Officer	
Karen Witts, Chief Financial Officer	
Media enquiries: MHP	07595 461 231
Oliver Hughes / Rachel Farrington / Charles Hirst	dunelm@mhpgroup.com

Next scheduled event:
Dunelm will release its third quarter trading update on 18 April 2024.

Quarterly analysis:

	52 weeks to 29 June 2024						
	Q1	**Q2**	**H1**	**Q3**	**Q4**	**H2**	**FY**
Total sales	£389.6m	£482.9m	£872.5m				
Total sales growth	+9.2%	+1.0%	+4.5%				
Digital % total sales	35%	37%	36%				

	52 weeks to 1 July 2023						
	Q1	**Q2**	**H1**	**Q3**	**Q4**	**H2**	**FY**
Total sales	£356.7m	£478.3m	£835.0m	£423.3m	£380.5m	£803.8m	£1,638.8m
Total sales growth	-8.3%	+17.6%	+5.0%	+6.1%	+6.1%	+6.1%	+5.5%
Digital % total sales	33%	35%	34%	36%	39%	37%	36%

Notes to Editors:

Dunelm is the UK's market leader in homewares with a purpose 'to help create the joy of truly feeling at home, now and for generations to come'. Its specialist customer proposition offers value, quality, choice and style across a growing range of products, spanning multiple homewares and furniture categories and including services such as Made to Measure window treatments.

The business was founded in 1979 by the Adderley family, beginning as a curtains stall on Leicester market before expanding its store footprint. The business has grown to 183 stores across the UK and has developed a successful online offer through dunelm.com which includes home delivery and Click & Collect options. 152 stores now include *Pausa* coffee shops, where customers can enjoy a range of hot and cold food and drinks.

From its textiles heritage in areas such as bedding, curtains, cushions, quilts and pillows, Dunelm has built a comprehensive offer as 'The Home of Homes' including furniture, kitchenware, dining, lighting, outdoor, decoration and DIY. The business predominantly sells specialist own-brand products sourced from long-term, committed suppliers.

Dunelm is headquartered in Leicester and employs over 11,000 colleagues. It has been listed on the London Stock Exchange since October 2006 (DNLM.L) and the business has returned over £1bn in distributions to shareholders in the last ten years[9].

[9] Ordinary dividends plus special dividends plus special distributions.

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

We performed strongly in the first half of the year, retaining a sharp focus on our delivery of long-term, sustainable growth, despite a complex external environment, with consumers continuing to seek outstanding value amidst ongoing pressures on discretionary spend. Against this backdrop, we have further increased our broad appeal and delivered results for all our stakeholders, whilst continuing to invest in and strengthen our offer for the future.

Our vision is to build the UK's most trusted and valuable brand for homewares and furniture; in short, we want to be recognised as the 'Home of Homes'. We have an established track record of achieving sales growth through market share gains, and this has continued into FY24, with our combined overall share of the homewares and furniture markets increasing by 50bps[10], in a market that was broadly flat. Our growth has been broad-based across our categories, with our heritage departments performing well alongside newer areas of our offer, such as sofas, where we saw good growth.

Demonstrating our broad appeal, during the year we grew our customer base by 4.2%[11], and we increased the transaction frequency of our existing customers by 1.1%[12]. We continue to invest with a disciplined and long-term focus across the business: strengthening our customer offer, extending and digitalising our total retail system of stores and digital channels, and evolving our marketing ecosystem.

Whilst the current environment undoubtedly presents challenges for consumers and businesses alike, we also see attractive opportunities to differentiate and continue building our specialist positioning as the Home of Homes. In what remains a highly fragmented market, we believe now is a good time to be an ambitious market leader and to seize the growth opportunities ahead.

As ever, our performance and ongoing success is the result of the skills and adaptability of my colleagues, and I thank them all for their continued commitment to the business.

[10] GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period January 2023 to December 2023 was 7.6%.

[11] Active customers are those who have shopped with us at least once in a 12-month period. Growth in the 12 months to December 2023 compared to the previous 12 months. Management estimates using Barclays data.

[12] Growth in number of visits per retained customer in the 12 months to December 2023. Retained customers defined as those who have shopped with Dunelm in both the reported calendar year and previous calendar year. Source: Barclays.

H1 Review

We were pleased with our performance in the first half of the year, in which we grew our sales by 4.5% in a market characterised by considerable volatility in week-to-week trading patterns. We delivered growth in both sales volume and value, and market share gains. We remain laser-focused on offering customers outstanding value, a proposition which has resonated well as we have seen how consumers are increasingly savvy when it comes to finding the right product for their home, at the right price, amidst ongoing cost-of-living pressures.

We delivered this strong sales growth whilst increasing gross margin, which was up 160bps compared to last year. In a market which saw a significant amount of promotional activity, we stuck to our disciplined promotional calendar. We maintained a firm grip on input costs and inventory levels, and grew our gross profit by 7.6% to £460m. We saw good sell-through of Christmas ranges and ended the half comfortable with the quality and quantity of our stock.

Whilst maintaining our strong grip on operating costs to help offset inflationary impacts, we have continued to invest in the business to support future growth opportunities. We are on track with our accelerated new store opening plans, have increased our investment in brand marketing as planned, and continue to focus on digitalising the business.

We delivered PBT of £123m in the first half (FY23 H1: £117m), up 4.8% versus the same period last year, with PBT margin maintained at 14.1% (FY23 H1: 14.1%).

We remain confident in our business having delivered strong earnings during the half with excellent cash generation. As a result, the Board is declaring an increased interim ordinary dividend of 16p per share (FY23 H1: 15p) and a special dividend of 35p per share, maintaining its track record of distributions.

Building the Home of Homes

In a fast-changing world, we are sharpening our focus on better serving customers as their attitudes and habits evolve. We know from our research that multi-channel shopping is well established in homewares, where very few consumers consider themselves to be online-only or store-only shoppers. That said, consumer attitudes are evolving at pace, in terms of their attitudes to home, what they expect from products they buy and how they want to shop.

Responding to this, we feel advantaged through our channels, but also as a specialist with breadth and depth. We have breadth of categories, price and quality tiers, services and styles. Our depth comes through our established supplier partner network, through our knowledge in product design, and through our robust supply chains. Our specialism allows us to adapt and innovate, making changes quickly and effectively to increase our relevance for consumers.

To better inform our decision-making in this changing consumer environment, we have significantly increased our insight capability in recent years. This allows us to focus our efforts on improving our customer offer in the most meaningful and targeted ways.

We will now provide more details on the progress we are making against our key priorities, building trust in our offer and cementing our position as the Home of Homes:

1. Strengthening our customer offer;
2. Extending and digitalising our total retail system; and
3. Evolving our marketing ecosystem.

Strengthening our customer offer

Our customer offer comprises four elements: value and choice; good and circular; friendly and expert; and fast and convenient. We are constantly innovating and improving in these areas, which means we are able to delight our customers and give them more reasons to shop with us. We will bring this to life by sharing some examples of how we are progressing in two of these elements: value and choice, and good and circular.

As we continue to offer outstanding value and more choice to customers, we are carefully managing our good/better/best pricing hierarchy. To do this successfully, each tier needs to have meaningful differentiation. For example, in plain-dye bedding our range extends from a £2 super soft microfibre pillowcase pair, to a £35 Dorma pair made from the finest cotton. We are introducing more innovation and choice into our better and best tiers as disposable income and confidence increases for some consumers.

Using this pricing architecture as a framework, we use product mastery to develop and extend our offer across our categories, including in those that are newer and have lower market shares. In furniture, for example, we have developed our ranges of sofas, sofabeds and upholstered chairs, introducing new fabrics and sizes, and made most of our products available for five-day delivery. Furthermore in our cook and dine category, we have recently increased our focus on design and sourcing. This has helped us improve our ranges in kitchen storage and glassware, for example, and we also introduced some popular third-party brands where they are additive to our offer. In both of these examples we have grown sales and market share and see a significant opportunity for further expansion.

In these examples, as in other categories across our range, we are also increasing choice through offering a greater range of products that are delivered directly to customers by suppliers. Whilst this is still carefully curated product, with the same quality and price focus, it allows us to test and learn in new areas and to build new supplier relationships.

Being good and circular is a core part of our proposition and centres around our role in looking after the planet, the communities where we operate, and our people. The progress we are making in sustainable materials, manufacturing and circular design is already resulting in better product choices for our customers, whilst also supporting our ambition to achieve our long-term carbon reduction targets. This extends to our work in our communities and with our charity partners, which is increasingly important in building further trust in our brand with digital customers who find us through a specific product page or social media post.

We extended the range of products which are able to carry our Conscious Choice label, whereby the products use materials which have a lower impact on the environment. In most instances, choosing these products does not come with an additional cost for a customer, as we believe making more sustainable choices should be accessible for all. Moving forward, our Elements collection of bedding will be made from 100% cotton rather than a polyester cotton mix. In hard goods, we are starting to use more recycled materials in our products, and more modular designs for circularity. For example in lighting, the structure could be made from recycled metal, with the power supply and bulbs being modular, easily separable and therefore easier to repair and recycle.

Born in the pandemic, the ‘Delivering Joy’ campaign this winter was our biggest ever. Over 125,000 gifts, double the number of the previous year, were donated by our customers to local good causes through our store teams. We have also recently announced Age UK as our new national charity partner and have committed to raise at least £2m over the next three years.

Extending and digitalising our total retail system

Our stores continue to underpin our total retail system, amplifying our digital channels, and remaining a key part of our marketing ecosystem. Our system combines the benefits of physical shopping with the convenience of our digital offering. The benefit of this approach is that our customers are comfortable switching between channels as they browse and shop our ranges.

At the start of the year, we announced plans to increase the rate of new store openings. We are on track with those plans, having opened four stores in the first half, including both our traditional superstore and smaller formats, and across a range of location types. We are pleased with their performance to date and continue to see our new stores pay back very quickly, typically in less than three years.

We continue to learn from our new stores, applying robust insight and analytics to our data. As an example, in 2022 we opened a 30,000 sq ft superstore in Weymouth, a new area for us. Feltham is a smaller store of 14,000 sq ft which opened at a similar time, in a catchment already relatively well served by Dunelm stores, but with a much larger population density. These two different types of stores are on track to achieve similarly strong paybacks, with Weymouth benefitting from an uplift in home delivery sales in the catchment area while Feltham has seen strong demand for Click & Collect and a higher overall sales density. These results are giving us confidence in the opportunity for growth from expanding our store estate across different formats and locations, including those where we already have a presence.

We have also continued to digitalise our total retail system, while simultaneously improving the customer experience and the efficiency of our operations. Using our growing technology capabilities, we have broken down the highest traffic pages on our website into smaller autonomous modules ('micro front-ends') which can be developed independently. This gives us more flexibility in making changes and improves the speed and performance of our website to enhance the overall customer experience. It also increases the efficiency of our performance marketing spend by improving our online search rankings. We have initially focused on our product detail pages – an area of high web traffic – and are now working on extending this approach to other areas of the website to deliver further benefits.

This is a good example of how our long-term thinking generates efficiencies today while laying the foundations for us to make ongoing improvements across all parts of the customer journey more efficiently and without disruption to the wider site. For example, we have improved the presentation of product availability information on our product detail pages, enabling customers to check for local stock more intuitively. We are also enhancing the user interface, making it easier to navigate the site and adding tools to improve accessibility. Going forward, we have plans to improve customer search functionality and the online checkout experience. These are just some of the small changes which, in aggregate, contribute to meaningful sales growth.

Evolving our marketing ecosystem

In the autumn we ran our latest marketing campaign alongside the launch of 'Home of Homes' as our new brand platform. This is a long-term investment in building brand awareness for Dunelm and consumer consideration across multiple product categories, and supporting our position as a trusted market leader. We will shortly be launching our spring creative, to support the new seasonal ranges appearing in store and online.

As we increase brand awareness, we are also focused on creating content and experiences which are based on our customers' previous interactions with us and are as relevant as possible. We are still very early in our personalisation journey but we see a significant opportunity. We have good foundational capability in terms of data and systems architecture, and talented people. We continue to test and learn in areas such as complementary product recommendations on the website, and the best incentives for customers with a low propensity to repurchase. We are now starting to personalise our email distribution, using a simple and actionable segmentation of our customer base, for example based on price preference.

Performance marketing continues to be an area of optimisation. We are seeing good returns on our paid search through new campaigns and landing page designs. In social media marketing we are still developing our approach, which at this stage includes carrying out incrementality tests across different platforms to confirm the scale of new opportunities. We also remain highly focused on generating free traffic and growing our SEO rankings.

Our community work through stores continues to help us create a cost-effective local marketing platform. Our locally managed Facebook groups are thriving and when we recently opened our new store in Cwmbran, it had over 5,000 followers. Every store works hard to build and engage their following, working with local charity partners or influencers, for example.

Summary and Outlook

We continued to perform strongly in the first half. We outperformed a challenging market and demonstrated our ability to maintain a strong operational grip across the business, whilst navigating some periods of volatile demand.

Across the metrics we track, we continue to demonstrate the broad appeal of our offer, no matter the market conditions. We are also encouraged that sales growth has predominantly been driven by volume, rather than through price increases, and we have grown customer numbers and frequency of shopping visits. The breadth of growth across product categories and different customer groups is also positive. This is the result of focused investment to develop our customer offer for the long term, by providing relevance to more and more customers whilst operating as efficiently as possible. We are achieving this growth whilst delivering a strong gross margin, exemplifying the strength of our business model.

We are very confident in our ability to navigate the current market and economic uncertainty and to deliver market share gains as we continue to invest in our business, increasing our broad appeal and cementing our identity as the Home of Homes.

We are pleased with trading in the early part of the second half and expect to deliver full-year PBT in line with market expectations[13].

[13] Company compiled average of analysts' expectations for FY24 PBT is £202m, with a range of £199m to £207m.

Nick Wilkinson
Chief Executive Officer
14 February 2024

CHIEF FINANCIAL OFFICER'S REVIEW

Revenue

	H1 FY24	YoY
Total Group sales	£872.5m	+4.5%
Digital % total sales	36%	+2ppts
Active customer growth[14]	N/A	+4.2%
Homewares market share[15]	11.3%	+60bps
Furniture market share[15]	2.1%	+10bps
Combined market share[15]	7.6%	+50bps

Total sales of £872m (FY23 H1: £835m) were 4.5% higher than FY23 in a market that displayed week-to-week volatility, particularly during the second quarter. This growth was driven by volume, which increased by 6%, with a modest reduction in average item values following a small number of targeted price reductions at the end of FY23 and early in FY24.

The proportion of revenues from digital sales increased by 2ppts to 36% as we continued to develop our digital offer, with improvements in our website performance and careful expansion of our online ranges, where we now offer over 80,000 products.

We continue to see broad-based growth across our categories and were particularly pleased to report strong growth in categories where we have been developing our product mastery. Our cook and dine ranges have been significantly improved in areas such as kitchen storage and glassware, and we are trialling new ways of merchandising products in our stores. We also saw strong growth in furniture, where our sofas and sofa beds category performed well, reflecting the introduction of new shapes and colours to our best-selling ranges. We now offer five-day lead times on most of our furniture, as well as interest free credit to qualifying customers shopping online.

We have seen further growth in active customer numbers, which increased by 4.2%[14]. We saw growth in customer numbers in all geographical regions, all age groups and all income groups up to £100k per annum. The highest rates of growth were achieved in the 16-24 age group and in the London area. We also grew transaction frequency by 1.1%[16] reflecting our ever-improving customer proposition.

Our market share in the combined homewares and furniture market, which was broadly flat in the last 12 months, increased by a further 50bps[15], with good growth in each market. We offer products across a range of categories in both homewares and furniture, and we are focussed strategically on gaining share across the combined market. We will therefore report market share across the aggregated market from our Preliminary results in September.

[14] Active customers are those who have shopped with us at least once in a 12-month period. Growth in the 12 months to December 2023 compared to the previous 12 months. Management estimates using Barclays data.
[15] GlobalData UK homewares and furniture markets, January 2023 to December 2023. Furniture excludes kitchen and bathroom furniture.
[16] Growth in number of visits per retained customer in the 12 months to December 2023. Retained customers defined as those who have shopped with Dunelm in both the reported calendar year and previous calendar year. Source: Barclays.

Gross margin

We achieved strong gross margin of 52.7% in the period (FY23 H1: 51.1%), an improvement of 160bps, as we maintained our tight commercial grip and disciplined approach to promotional activity, whilst continuing to offer outstanding value to our customers.

There was a net benefit in the half from lower freight rates and adverse foreign exchange movements. For the full year, we reiterate our guidance for gross margin to increase by 100bps. The rate of improvement is expected to slow in the second half due to the combined headwinds of foreign exchange movements and lower freight benefits. We are managing the impact of ships taking longer, more costly routes as they avoid the Red Sea area.

Operating costs

Total operating costs were £333m (FY23 H1: £305m), representing an operating costs:sales ratio of 38.1% (FY23 H1: 36.6%).

With sales growth being driven by volume, our distribution, performance marketing and other variable costs increased by £8m in the first half. Continued high levels of inflation, particularly in wages, added £10m to operating costs.

We see a compelling opportunity for future growth and continue to invest in our proposition, aligned to our focus areas. We are accelerating our rate of new store openings and have been pleased with the returns. We are investing in the capabilities needed to digitalise further our total retail system, and we have delivered improvements such as faster site speed, which are driving digital growth. We also launched our ‘Home of Homes’ brand platform alongside a significant brand marketing campaign, having previously conducted rigorous testing to demonstrate the benefits of this type of activity.

We have a tight grip on operating costs and were therefore able to partially offset some of the inflationary increases and investment through productivity and efficiency initiatives. We removed excess storage costs and our test and learn approach has allowed us to further optimise our performance marketing spend.

We are conscious of the external environment and have a rigorous approach to new investment and a focus on making every pound count. We will continue to manage operating costs carefully while investing to support our long-term growth aspirations. We therefore reiterate our guidance for the full year operating costs to sales ratio of c.39%.

Profit and earnings per share

Operating profit of £127m was £5m higher than the comparable period in FY23 (FY23 H1: £122m), which reflected the strong sales and gross margin performance in a period of high general inflation in the cost base, and continued investment in our customer proposition.

Net finance costs of £4m (FY23 H1: £4m) included interest on IFRS 16 lease liabilities of £3m (FY23 H1: £3m).

Profit before tax in the period was £123m (FY23 H1: £117m), an increase of £6m year-on-year. We expect PBT for the full year to be in line with market expectations[17].

Profit after tax of £91m (FY23 H1: £93m) reflected an effective tax rate of 26.3% (FY23 H1: 20.8%). The increase in the effective tax rate was primarily due to the higher headline rate of corporation tax of 25% (FY23 H1: 20.5%). The difference between the headline rate and effective rate of 130bps was higher than normal and reflected an increase in disallowed expenditure relating to the accelerated rate of store openings and a one-off deferred tax adjustment which will not recur after FY24, with the effective tax rate for the full year expected to be broadly in line with the rate in the first half.

Basic earnings per share (EPS) for the period was 44.9 pence (FY23 H1: 46.1 pence). Diluted earnings per share was 44.6 pence (FY23 H1: 45.8 pence). Excluding the impact of the change in corporation tax, EPS would have increased by 3%.

[17] Company compiled average of analysts' expectations for FY24 PBT is £202m, with a range of £199m to £207m.

Cash generation and net debt

The Group continues to generate strong cash flows, with free cash flow of £91m in the first half (FY23 H1: £102m).

	H1 FY24	**H1 FY23**
Operating profit	£126.9m	£121.8m
Depreciation and amortisation[18]	£40.4m	£38.9m
Net movement in working capital	(£3.0m)	(£1.9m)
Share-based payments	£2.6m	£2.0m
Tax paid	(£24.7m)	(£17.9m)
Net cash generated from operating activities	**£142.2m**	**£142.9m**
Capex	(£19.8m)	(£12.5m)
Net interest and loan transaction costs[19]	(£2.6m)	(£0.9m)
Interest paid on lease liabilities	(£3.0m)	(£2.6m)
Repayment of principal element of lease liabilities	(£25.7m)	(£24.8m)
Free cash flow	**£91.1m**	**£102.1m**
Net cash[20]	**£6.2m**	**£18.2m**

[18] Including impairment and loss on disposal.
[19] Excluding interest on lease liabilities.
[20] Excluding lease liabilities.

There was a small working capital outflow of £3m in the period (FY23 H1: £2m). Inventory of £232m (FY23 H1: £233m) was well controlled and we are comfortable with the quality of the inventory, having achieved strong sell-through of our Christmas ranges. We also expect working capital for the full year to be broadly stable.

Cash tax paid was £25m (FY23 H1: £18m), reflecting the increase in the headline rate of corporation tax to 25% (FY23 H1: 20.5%).

Total capital investment of £20m (FY23 H1: £13m) included £15m spent on the four new stores opened in the period, refits of 12 existing stores, and our sustainability initiatives. We are on track with our plans to open five to ten new stores (including relocations) in FY24, and therefore expect capital expenditure for the full year to be c.£30-40m, in line with our previous guidance.

Conversion of operating profit to free cash flow of 72% remains strong (FY23 H1: 84%), with the variance to last year due to the higher corporation tax rate and investment in new stores.

Share repurchases are made from time to time to hold in treasury to satisfy future obligations under employee share schemes. The Group did not repurchase any shares in the period (FY23 H1: £7m). The Group held 1.3m shares in treasury as at 30 December 2023 (FY23 H1: 2.1m).

After total dividend payments in the period of £55m (FY23 H1: £52m), the Group ended the half with net cash of £6m[21] (FY23 H1: £18m).

[21] Excluding lease liabilities. Full definition provided in the table of alternative performance measures.

Banking agreements

At 30 December 2023, the Group had in place a £250m unsecured revolving credit facility (“RCF”). The terms of the RCF included covenants in respect of leverage (net debt[22] to be no greater than 2.5× adjusted EBITDA[23]) and fixed charge cover (EBITDAR[24] to be no less than 1.75× fixed charges[25]), both of which were met comfortably as at 30 December 2023. The maturity date is September 2027 with an option to extend by a further two years at Dunelm's request, subject to lender consent. The terms are consistent with normal business practice. In addition, the Group maintains £10m of uncommitted overdraft facilities.

[22] Excluding lease liabilities. Full definition provided in the table of alternative performance measures.
[23] Adjusted EBITDA defined as EBITDA less depreciation on right-of-use assets.
[24] EBITDAR defined as EBITDA plus rent.
[25] Fixed charges are defined as net interest costs plus right-of-use asset depreciation plus rent.

Capital and dividend policies

The Board policy on capital structure targets an average net debt level (excluding lease obligations and short-term fluctuations in working capital) of between 0.2× and 0.6× the last 12 months’ EBITDA[26]. The Group’s dividend policy targets ordinary dividend cover of between 1.75× and 2.25× earnings per share during the financial year to which the dividend relates.

The Board will continue to consider returning surplus cash to shareholders if average net debt, excluding lease liabilities, over a period, consistently falls below the minimum target of 0.2× EBITDA[26], subject to known and anticipated investment and expenditure plans at the time.

The Group’s full capital and dividend policies are available on our website at corporate.dunelm.com.

[26] EBITDA defined as operating profit plus depreciation and amortisation of property, plant and equipment and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets plus depreciation on right-of-use assets.

Dividends

Recognising our strong performance and our ongoing confidence in the business, the Board has declared an interim ordinary dividend of 16 pence per share, an increase of 7% compared to FY23 (FY23 H1: 15p), at a cash cost of £32m. The interim dividend will be paid on 9 April 2024 to shareholders on the register on 15 March 2024.

In addition to this, the strong cash generation in the period has enabled the Board to declare a £71m special dividend of 35 pence per share. The special dividend will also be paid on 9 April 2024 to shareholders on the register on 15 March 2024. After these dividend commitments, the Group is within its target leverage range.

Principal risks and uncertainties

The Board regularly reviews and monitors the risks and uncertainties which could have a material effect on the Group's results. The principal risks and uncertainties that could lead to a material impact have not significantly changed from those listed in the FY23 Annual Report. 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.

Alternative performance measures (APMs)

APM	Definition, purpose and reconciliation to statutory measure
Unique active customers growth	Growth in unique active customers who have shopped in a 12-month period compared to the prior 12-month period, 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 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.
Ordinary dividend cover	Ordinary dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year. This measure is used in our capital and dividend policy.
Gross margin %	Gross profit expressed as a percentage of revenue. Measures the profitability 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 and acquisition of property, plant and equipment less proceeds on disposal of property, plant and equipment and intangibles.
Free cash flow	Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), 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 borrowings (as shown in note 14). Excludes IFRS 16 lease liabilities.
Cash conversion	Free cash flow expressed as a percentage of operating profit.

Karen Witts
Chief Financial Officer
14 February 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The maintenance and integrity of the Dunelm Group Plc website is the responsibility of the directors; the work carried out by the authors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

The directors of Dunelm Group Plc are listed in the Company's annual report for 1 July 2023. A list of current directors is maintained on the Company's website: www.corporate.dunelm.com.

By order of the board

Nick Wilkinson
Chief Executive Officer
14 February 2024

Karen Witts
Chief Financial Officer
14 February 2024

INDEPENDENT REVIEW REPORT TO DUNELM GROUP PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Dunelm Group Plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of Dunelm Group Plc for the 26 week period ended 30 December 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the consolidated statement of financial position as at 30 December 2023;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results of Dunelm Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Results, including the interim financial statements, the directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
East Midlands
14 February 2024

CONSOLIDATED INCOME STATEMENT

(UNAUDITED)

For the 26 weeks ended 30 December 2023

	Note	26 weeks ended 30 December 2023 £'m	26 weeks ended 31 December 2022 £'m	52 weeks ended 1 July 2023 £'m
Revenue		**872.5**	**835.0**	**1,638.8**
Cost of sales		(413.0)	(408.0)	(817.9)
Gross profit		**459.5**	**427.0**	**820.9**
Operating costs		(332.6)	(305.2)	(622.1)
Operating profit		**126.9**	**121.8**	**198.8**
Financial income		1.2	0.2	1.7
Financial expenses		(5.1)	(4.6)	(7.8)
Profit before taxation		**123.0**	**117.4**	**192.7**
Taxation	6	(32.3)	(24.4)	(40.8)
Profit for the period		**90.7**	**93.0**	**151.9**
Earnings per Ordinary Share - basic	8	44.9p	46.1p	75.2p
Earnings per Ordinary Share - diluted	8	44.6p	45.8p	75.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

For the 26 weeks ended 30 December 2023

	26 weeks ended 30 December 2023 £'m	26 weeks ended 31 December 2022 £'m	52 weeks ended 1 July 2023 £'m
Profit for the period	90.7	93.0	151.9
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to profit or loss:			
Movement in fair value of cash flow hedges	(1.2)	(1.0)	(14.0)
Deferred tax on hedging movements	0.3	1.7	6.6
Other comprehensive (expense)/income for the period, net of tax	(0.9)	0.7	(7.4)
Total comprehensive income for the period	**89.8**	**93.7**	**144.5**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

As at 30 December 2023

	Note	30 December 2023 £'m	31 December 2022 £'m	1 July 2023 £'m
Non–current assets				
Intangible assets	9	4.7	7.7	5.3
Property, plant and equipment	9	174.9	175.0	169.9
Right-of-use assets	10	222.7	241.9	231.3
Deferred tax assets		5.5	4.6	6.9
Derivative financial instruments		-	1.1	-
Total non-current assets		**407.8**	**430.3**	**413.4**
Current assets				
Inventories	11	231.5	233.4	211.0
Trade and other receivables		25.2	21.2	24.3
Derivative financial instruments		0.4	13.4	1.8
Cash and cash equivalents		56.2	40.2	46.3
Total current assets		**313.3**	**308.2**	**283.4**
Total assets		**721.1**	**738.5**	**696.8**
Current liabilities				
Trade and other payables	12	(226.6)	(231.2)	(208.1)
Lease liabilities	10	(52.7)	(53.4)	(53.4)
Current tax liability		(6.5)	(4.8)	(0.2)
Derivative financial instruments		(8.6)	(1.8)	(7.9)
Total current liabilities		**(294.4)**	**(291.2)**	**(269.6)**
Non-current liabilities				
Bank loans	14	(47.7)	(20.7)	(75.9)
Lease liabilities	10	(196.2)	(217.5)	(204.8)
Provisions		(5.5)	(5.5)	(5.9)
Derivative financial instruments		(2.3)	(2.3)	(3.1)
Total non-current liabilities		**(251.7)**	**(246.0)**	**(289.7)**
Total liabilities		**(546.1)**	**(537.2)**	**(559.3)**
Net assets		**175.0**	**201.3**	**137.5**
Equity				
Issued share capital		2.0	2.0	2.0
Share premium account		1.7	1.7	1.7
Capital redemption reserve		43.2	43.2	43.2
Hedging reserve		(7.9)	7.8	(6.9)
Retained earnings		136.0	146.6	97.5
Total equity		**175.0**	**201.3**	**137.5**

Karen Witts
Chief Financial Officer
14 February 2024

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the 26 weeks ended 30 December 2023

	Note	26 weeks ended 30 December 2023 £'m	26 weeks ended 31 December 2022 £'m	52 weeks ended 1 July 2023 £'m
Cash flows from operating activities				
Profit before taxation		123.0	117.4	192.7
Net financial expense		3.9	4.4	6.1
Operating profit		**126.9**	**121.8**	**198.8**
Depreciation and amortisation of property, plant and equipment and intangible assets	9	15.1	14.6	29.8
Depreciation on right-of-use assets	10	25.2	24.2	49.3
Loss on disposal and impairment of property, plant and equipment and intangible assets		0.1	0.1	0.3
Share-based payments expense		2.6	2.0	4.8
Operating cash flow before movements in working capital		**169.9**	**162.7**	**283.0**
(Increase)/decrease in inventories		(20.5)	(10.4)	12.0
(Increase)/decrease in receivables		(0.9)	1.7	(1.6)
Increase/(decrease) in payables		18.4	6.8	(14.6)
Net movement in working capital		**(3.0)**	**(1.9)**	**(4.2)**
Tax paid		(24.7)	(17.9)	(38.2)
Net cash generated from operating activities		**142.2**	**142.9**	**240.6**
Cash flows from investing activities				
Acquisition of intangible assets		(1.5)	(0.2)	(0.4)
Acquisition of property, plant and equipment		(18.3)	(12.3)	(21.4)
Interest received		0.7	0.2	1.1
Net cash used in investing activities		**(19.1)**	**(12.3)**	**(20.7)**
Cash flows from financing activities				
Proceeds from issue of treasury shares and Ordinary Shares		0.1	0.2	2.4
Purchase of treasury shares		-	(7.0)	(7.0)
Drawdowns on Revolving Credit Facility		79.0	80.0	139.0
Repayments of Revolving Credit Facility		(106.0)	(112.0)	(116.0)
Interest paid and loan transaction costs		(3.3)	(1.1)	(2.2)
Interest paid on lease liabilities	10	(3.0)	(2.6)	(5.3)
Repayment of principal element of lease liabilities		(25.7)	(24.8)	(52.0)
Ordinary dividends paid	7	(54.5)	(52.4)	(163.3)
Net cash flows used in financing activities		**(113.4)**	**(119.7)**	**(204.4)**
Net increase in cash and cash equivalents		9.7	10.9	15.5
Foreign exchange revaluations		0.2	(0.9)	0.6
Cash and cash equivalents at the beginning of the period		46.3	30.2	30.2
Cash and cash equivalents at the end of the period		**56.2**	**40.2**	**46.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(UNAUDITED)

For the 26 weeks ended 30 December 2023

	Note	Issued share capital £'m	Share premium account £'m	Capital redemption reserve £'m	Hedging reserve £'m	Retained earnings £'m	Total equity attributable to equity holders of the Parent £'m
As at 1 July 2023		**2.0**	**1.7**	**43.2**	**(6.9)**	**97.5**	**137.5**
Profit for the period		-	-	-	-	90.7	90.7
Movement in fair value of cash flow hedges		-	-	-	(1.2)	-	(1.2)
Deferred tax on hedging movements		-	-	-	0.3	-	0.3
Total comprehensive income for the period		-	-	-	(0.9)	90.7	89.8
Proceeds from issue of treasury shares		-	-	-	-	0.1	0.1
Share-based payments		-	-	-	-	2.6	2.6
Deferred tax on share-based payments		-	-	-	-	(0.6)	(0.6)
Current tax on share options exercised		-	-	-	-	0.2	0.2
Movement on cash flow hedges transferred to inventory		-	-	-	(0.1)	-	(0.1)
Ordinary dividends paid	7	-	-	-	-	(54.5)	(54.5)
Total transactions with owners, recorded directly in equity		-	-	-	(0.1)	(52.2)	(52.3)
As at 30 December 2023		**2.0**	**1.7**	**43.2**	**(7.9)**	**136.0**	**175.0**

	Note	Issued share capital £'m	Share premium account £'m	Capital redemption reserve £'m	Hedging reserve £'m	Retained earnings £'m	Total equity attributable to equity holders of the Parent £'m
As at 2 July 2022		**2.0**	**1.7**	**43.2**	**20.2**	**111.2**	**178.3**
Profit for the period		-	-	-	-	93.0	93.0
Movement in fair value of cash flow hedges		-	-	-	(1.0)	-	(1.0)
Deferred tax on hedging movements		-	-	-	1.7	-	1.7
Total comprehensive income for the period		-	-	-	0.7	93.0	93.7
Proceeds from issue of treasury shares		-	-	-	-	0.2	0.2
Purchase of treasury shares		-	-	-	-	(7.0)	(7.0)
Share-based payments		-	-	-	-	2.0	2.0
Deferred tax on share-based payments		-	-	-	-	(0.7)	(0.7)
Current tax on share options exercised		-	-	-	-	0.3	0.3
Movement on cash flow hedges transferred to inventory		-	-	-	(13.1)	-	(13.1)
Dividends paid	7	-	-	-	-	(52.4)	(52.4)
Total transactions with owners, recorded directly in equity		-	-	-	(13.1)	(57.6)	(70.7)
As at 31 December 2022		**2.0**	**1.7**	**43.2**	**7.8**	**146.6**	**201.3**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the 26 weeks ended 30 December 2023 (UNAUDITED)

1 General information

Dunelm Group plc and its subsidiaries ('the Group') are incorporated and domiciled in the UK. Dunelm Group plc is a listed public company, limited by shares and the company registration number is 04708277. The registered office is Dunelm Store Support Centre, Watermead Business Park, Syston, Leicestershire, LE7 1AD.

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

The Group's financial results and cash flows are subject to seasonal trends between the first and second half of the financial period. Traditionally, revenue and profit are higher in the first half of the financial period due to the performance of seasonal lines and the timing of sale events.

These condensed interim financial statements do not comprise statutory accounts as per the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 1 July 2023 were approved by the Board of Directors on 20 September 2023 and delivered to the Registrar of Companies. The independent auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act.

2 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 December 2023 has been prepared in accordance with the UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 1 July 2023, which has been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

3 Going concern basis

The interim financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board of Directors have considered the current financial position of the Group, its strategy, the market outlook, and its principal risks. The Directors have also considered the Group's current cash position and its available facilities, including the Group's Revolving Credit Facility ('RCF') committed until 6 September 2027, which may be extended by a further two years at Dunelm's request, subject to lender consent. Furthermore, cash flow forecasts have demonstrated that covenants will continue to be comfortably met even in downside scenarios such as a general economic downturn resulting in consumers switching away from spending on homewares. Following this review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing these interim financial statements.

4 Accounting policies

The condensed financial statements have been prepared under the historical cost convention, except for derivative financial instruments and share-based payments which are stated at their fair value.

The accounting policies adopted, as well as significant judgements and key estimates applied, are consistent with those in the annual financial statements for the period ended 1 July 2023, as described in those financial statements, except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

5 Revenue

The Group has one reportable segment, in accordance with IFRS 8 — Operating Segments, which is the retail of homewares in the UK.

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

6 Taxation

The taxation charge for the interim period has been calculated on the basis of the estimated effective tax rate for the full year of 26.3% (26 weeks ended 31 December 2022: 20.8%, 52 weeks ended 1 July 2023: 21.2%).

7 Dividends

Dividend type	In respect of period ended	Pence per share	26 weeks ended 30 December 2023 £'m	26 weeks ended 31 December 2022 £'m	52 weeks ended 1 July 2023 £'m
Final	2 July 2022	26.0	-	52.4	52.4
Interim	1 July 2023	15.0	-	-	30.2
Special	1 July 2023	40.0	-	-	80.7
Final	1 July 2023	27.0	54.5	-	-
			54.5	**52.4**	**163.3**

The Directors have declared an interim dividend of 16 pence per Ordinary Share for the financial year ending 29 June 2024. This equates to an interim dividend of £32.3m. The Directors have also declared a special dividend of 35 pence per Ordinary Share for the period ending 29 June 2024 which equates to £70.7m. These dividends will be paid on 9 April 2024 to shareholders on the register on 15 March 2024.

The interim and special dividends have not been recognised as a liability in these interim financial statements. They will be recognised in the Consolidated Statement of Changes in Equity in the period ending 29 June 2024.

8 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the period.

Weighted average numbers of shares:

	26 weeks ended 30 December 2023 '000	26 weeks ended 31 December 2022 '000	52 weeks ended 1 July 2023 '000
Weighted average number of shares in issue during the period	**202,191**	201,802	201,917
Impact of share options	**1,162**	1,044	746
Number of shares for diluted earnings per share	**203,353**	202,846	202,663

	26 weeks ended 30 December 2023	26 weeks ended 31 December 2022	52 weeks ended 1 July 2023
Profit for the period (£'m)	**90.7**	93.0	151.9
Earnings per Ordinary Share - basic	**44.9p**	46.1p	75.2p
Earnings per Ordinary Share - diluted	**44.6p**	45.8p	75.0p

9 Intangible assets and property, plant and equipment

	Intangible assets £'m	Property, plant and equipment £'m
Cost		
At 1 July 2023	63.5	414.5
Additions	1.5	18.1
Disposals	(0.2)	(5.6)
At 30 December 2023	**64.8**	**427.0**
Accumulated amortisation / depreciation		
At 1 July 2023	58.2	244.6
Charge for the financial period	2.1	13.0
Disposals	(0.2)	(5.5)
At 30 December 2023	**60.1**	**252.1**
Net book value		
At 1 July 2023	5.3	169.9
At 30 December 2023	**4.7**	**174.9**

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

10 Leases

Right-of-use assets included in the Consolidated Statement of Financial Position at 30 December 2023 were as follows:

	Land and buildings £'m	Motor vehicles, plant and equipment £'m	Total £'m
At 1 July 2023	215.5	15.8	231.3
Additions	10.4	8.0	18.4
Disposals	(1.7)	(0.1)	(1.8)
Depreciation	(22.6)	(2.6)	(25.2)
At 30 December 2023	**201.6**	**21.1**	**222.7**

Lease liabilities included in the Consolidated Statement of Financial Position at 30 December 2023 were as follows:

	Land and buildings	Motor vehicles, plant and equipment	Total
	£'m	£'m	£'m
At 1 July 2023	(242.5)	(15.7)	(258.2)
Additions	(11.3)	(8.1)	(19.4)
Disposals	1.7	0.1	1.8
Interest	(2.5)	(0.5)	(3.0)
Repayment of lease liabilities	26.9	3.0	29.9
At 30 December 2023	**(227.7)**	**(21.2)**	**(248.9)**

The discount rate applied to lease liabilities ranged between 0.9% and 6.7% (FY23 H1: 0.9% and 5.1%, FY23: 0.9% and 5.85%).

The following amounts have been recognised in the Consolidated Income Statement:

	26 weeks ended 30 December 2023	26 weeks ended 31 December 2022	52 weeks ended 1 July 2023
	£'m	£'m	£'m
Depreciation of right-of-use assets	**25.2**	24.2	49.3
Loss on disposal of right-of-use assets	-	(0.1)	-
Interest expenses (included in financial expenses)	**3.0**	2.6	5.3
Expense relating to short-term leases	**1.4**	0.7	1.6

The total cash outflow for the leases in the 26 weeks ended 30 December 2023 was £28.7m (26 weeks ended 31 December 2022: £27.4m, 52 weeks ended 1 July 2023: £57.3m).

11 Inventories

	30 December 2023	31 December 2022	1 July 2023
	£’m	£’m	£’m
Raw materials	**1.5**	1.7	1.6
Work in progress	**0.1**	1.3	-
Goods for resale	**229.9**	230.4	209.4
	231.5	233.4	211.0

Goods for resale includes a net realisable value provision of £21.8m (FY23 H1: £23.2m, FY23: £20.7m). Write-downs of inventories to net realisable value in the 26 weeks ended 30 December 2023 amounted to £15.3m (26 weeks ended 30 December 2022: £11.5m, 52 weeks ended 1 July 2023: £30.2m). These were recognised as an expense during the period and were included in cost of sales in the Consolidated Income Statement.

12 Trade and other payables

	30 December 2023 £'m	31 December 2022 £'m	1 July 2023 £'m
Current			
Trade payables	**103.4**	107.3	94.6
Accruals	**61.3**	65.6	63.5
Deferred income	**17.2**	16.9	12.5
Taxation and social security	**44.2**	39.0	37.3
Other payables	**0.5**	2.4	0.2
Total trade and other payables	**226.6**	231.2	208.1

Deferred income includes contract liabilities of £13.9m (FY23 H1: £14.0m, FY23: £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 £11.2m (FY23 H1: £11.6m, FY23: £8.0m) are expected to be met within twelve months of the reporting date. Contract liability for gift cards of £2.7m (FY23 H1: £2.4m, FY23: £1.1m) may be met over a period 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:

	26 weeks ended 30 December 2023 £'m
Opening balance	**1.1**
Issued in the year	**4.2**
Released to income statement	**(2.6)**
	2.7

13 Financial risk management and financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks including foreign currency risk, fair value interest rate risk, credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 1 July 2023. There have been no changes in any risk management policies since the year end.

Fair values

The fair value of the Group'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)
- 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.

14 Bank loans

	30 December 2023 £'m	31 December 2022 £'m	1 July 2023 £'m
Total borrowings	**50.0**	22.0	77.0
Less: unamortised debt issue costs	**(2.3)**	(1.3)	(1.1)
Net borrowings	**47.7**	20.7	75.9

Net cash/(debt) represented by

	30 December 2023	31 December 2022	1 July 2023
Cash and cash equivalents	**56.2**	40.2	46.3
Total borrowings	**(50.0)**	(22.0)	(77.0)
Net cash/(debt)	**6.2**	18.2	(30.7)

The Company has medium term bank facilities of £250.0m (FY23 H1: £185.0m; FY23: £185.0m) committed until 6 September 2027, which may be extended by a further two years at Dunelm's request, subject to lender consent. This is with an associated accordion facility of £100.0m, subject to lender consent (FY23 H1: £75.0m; FY23: £75.0m). As at 30 December 2023 £50.0m of this facility was drawn down (FY23 H1: £22.0m; FY23: £77.0m). The Group also has an uncommitted overdraft facility of £10.0m.

15 Capital Commitments

As at 30 December 2023 the Company had entered into capital contracts amounting to £2.2m (FY23 H1: £9.5m; FY23: £8.1m).

16 Announcement

The Interim Results, comprising the Interim Report and Financial Statements, was approved by the Board on 14 February 2024. Copies are available from www.corporate.dunelm.com.